Commission 8

The Province of Alberta

THE ROYAL COMMISSION ON METROPOLITAN DEVELOPMENT OF EDMONTON AND CALGARY

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EXHIBITS

No.	Description	Filed at
144E	Annotated Map	2817
145E	Brief entitled "Some Aspects of the Urban Fringe-Area Problem in the United States	2844

THE SITTINGS OF THE ROYAL COMMISSION ON METROPOLITAN DEVELOPMENT OF CALGARY AND EDMONTON, held at the Court House, Edmonton, Alberta, on Tuesday, the 11th day of January, A.D. 1955, at 9:45 a.m.

MR. MOFFAT: Mr. Chairman, at last night's meeting the City Council authorized a specific proposal with respect to boundaries, and at the opening this morning I thought I might present this map and have it given an exhibit number. I am sure my friends will want to see the exact wording of the City's approval, and that is not yet available; consequently, I would not propose to make very much comment at this stage, except to indicate what the boundary proposal is, and have it entered for an exhibit number.

This particular map is the ordinary map that we have been using all along, Exhibit 74E, except that marked on it is the population on each section of land around the fringe, on the outside, marked in red, which is taken from Exhibits 96, 97 and 98, and also marked on it is the proposed boundary which we will be submitting on behalf of the city at the first opportunity.

I think we might just put it up on the board here so everybody can see it.

THE CHAIRMAN: Yes. Mr. McGruther, we should mark this, but I wish you would give me a memorandum of any exhibits that you received yesterday. What will

THE CHAIRMAN: (Cont.) the number of this one be?

MR. McGRUTHER: This will be Exhibit 144E.

ANNOTATED MAP, AS PRODUCED, IS MARKED EXHIBIT 144E AND PUT IN.

MR. MOFFAT: It may be that for the sake of the record we should actually make a list of what the areas are, or it may be that we could work from the map, whichever way you wish.

THE CHAIRMAN: I have an idea, Mr. Moffat, that we would prefer a list to accompany the map that we have, because you are not planning to give each one of us one of these.

MR. MOFFAT: Well, we would as soon as they could be prepared, yes. Now, I could dictate a list which the reporter could take down.

THE CHAIRMAN: You mean at the moment?

MR. MOFFAT: Yes, as to what areas are involved, which might be convenient for that purpose.

THE CHAIRMAN: I think if you will give us that in the form of a memorandum we will handle it as an exhibit attached to this one, 144E. Then, you aren't making any further comment at the moment -- or are you?

MR. MOFFAT: Well, I was only going to say that I will mark on here one change which was made by the City Council last night; in other words, they varied their decision from the original recommendation to the extent of taking that particular area in, so I am drawing the boundary accordingly -- so that the

MR. MOFFAT: (Cont.) boundary would be to follow this black line on the map, which is here now.

THE CHAIRMAN: Well, if you will take pains in your memorandum to set out the changes fully, then we can make our own corrections on the maps we have; that's the way I prefer to do it.

MR. MOFFAT: Well, we could do that; I would certainly have to have a memorandum. I think we will also have to have a new map which will show the new boundaries on it, at the first chance the Planning Department can prepare a map for us and have copies made.

THE CHAIRMAN: Very well, we will be very glad to have the corrected maps as well.

Then I think, Mr. Brownlee, we are ready for you to proceed, please.

MR. BROWNLEE: Thank you, Mr. Chairman. I will call Doctor Brownlee.

OSWALD HARVEY BROWNLEE, having first been duly sworn, examined by Mr. Brownlee, testified as follows:

Q Doctor Brownlee, you are an economist, sir?

A I am, sir.

Q And at the present time you are a professor in the School of Business Administration at the University of Minnesota?

A That's correct.

Q Now, if I may refer briefly to your university training, it is my understanding that you received your Bachelor of Science from Montana State?

A Yes.

Q And Master of Science from the University of Wisconsin?

A That's correct.

Q And Doctor of Philosophy from Iowa State?

A Yes.

Q And in the field of publications you prepared a late edition on "The Economics of Public Finance"?

A Yes.

Q And you collaborated in the preparation of the last edition of "Hart's Financing Defence"?

A That's correct.

Q And you also collaborated in the last edition of Boddy Applied Economic Analysis?

A Correct.

Q In further work in the field of publications, you have written some twenty articles for journals?

A Yes.

Q And you also wrote the section on Income Taxes in the Encyclopedia Britannica?

A Yes.

Q Now, Doctor Brownlee, turning next to some of the positions you have held: you were Professor of Economics at Iowa State University?

A Iowa State College.

Q I'm sorry: Iowa State College; and Carnegie Tech? Is that the proper name?

A Carnegie Institute of Technology.

Q I'm sorry, I'm not familiar with it and I have it abbreviated in my notes. The University of Chicago?

A Yes.

Q And you were economist for Archer Daniels Midland Company for some two years, that being a milling firm?

A Milling and oil seed products.

Q On a consulting basis?

A Yes.

Q And you do further work on a consultation basis, I understand, for the State of Pennsylvania?

A We call it the Commonwealth of Pennsylvania, but otherwise it is accurate.

Q I'm sorry; and what is the nature of that work you do?

A It relates to the fields of state and local taxation, and state and local expenditure.

Q And you do consultation work for the United States Treasury Department? United States Treasury Department, Tax Division?

A I have.

Q You have; and also for the Office of Price Administration?

A I have.

Q Mr. Chairman, I might explain, before asking Doctor Brownlee to read his brief: the Municipal District of Strathcona has asked him to come here to give what assistance he can because of his familiarity with the problem which he has entitled "Some Aspects of the Urban Fringe-Area Problem in the United States".

I think in fairness to him I should say that he has not come here particularly and exclusively

Q (Cont.) to delve into the problems that are before this Commission, and his knowledge of the problems before this Commission, I imagine, is quite vague; but we have asked him here to give assistance by way of answering what questions he can as to American experience; so, with that introduction, Doctor Brownlee, would you please read the brief which you have prepared?

A Mr. Chairman, and members of the Commission:

The brief which I am about to read --

"...includes a general description of urban fringe problems in the United States together with a summary picture of proposed solutions to these problems and some of the measures that actually have been adopted to try to solve them. It cannot be stated that there is a representative solution for a particular type of fringe area problem in the United States. Preferences of property holders in one region may differ markedly from those in another. Furthermore, since a city is dependent upon the government of the state in which it is located for its authority, the measures chosen by a particular city will be partially determined by the legal restrictions imposed by the state, and such restrictions vary from one state to another.

I. The Urban Fringe-Area Problem

Since 1910, the central cities in virtually all of the metropolitan areas of

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"the United States have grown less rapidly in population than have the outlying areas. From 1940 to 1950, for example, the population increase in the central cities was about 13 percent while that in the metropolitan areas (central cities plus fringes) was about 22 percent.[1] The 1940-1950 growth differential between the central cities and metropolitan areas was smaller than that of the decade 1930-1940. More rapid population growth in the fringe areas has been due to (1) a desire for larger residential tracts than could be obtained in the central city for a comparable outlay, (2) a belief that residential taxes would be lower in the fringe area than in the central city, and (3) location of industry outside the city limits. Industrial location outside the city limits also has been partially to avoid the supposedly higher city tax levies and it encouraged residential development outside the cities.

The development of these urban fringe areas created problems for the residents of both the fringe areas and the central cities.

1. A metropolitan area is defined as an area, including a central city (or cities, as in the cases of Minneapolis-St. Paul and Allentown-Bethlehem), which comprises a single trading, recreational and cultural unit and has a population exceeding some minimum figure.

A (Cont.) Let me interpolate here for a moment: not all of the central cities nor all of the fringe areas experienced all of the problems I have listed here; this is essentially an enumeration of most of the kind of problems that we would find.

"For the initial residents of the fringe areas, living conditions proved inferior to those that had been anticipated. Residential construction and development frequently was unplanned; additional residences created problems of obtaining safe water from wells; disposal of garbage and other waste was not economic.

The problems imposed by the fringe areas upon the residents of the central city might be classified as (a) developmental and (b) financial. Among the developmental problems have been:

(1) initiation of activities in the fringe areas that would not have been permissible in the city yet were available to city residents (bars maintaining late closing hours, for example).

(2) less orderly development of transportation facilities (including through roads) and unplanned location of various types of properties for the metropolitan area as a whole.

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" Among the financial problems have been:

(1) increased costs of maintaining services provided by the city to persons. Residents of the fringe areas used the city streets, parks, parking facilities, policing, sanitary inspection, etc., yet did not pay for them, since the funds for financing such services were obtained from taxes levied against city property.

(2) increased costs of protecting property and persons within the city. Inferior policing of the fringe areas was believed to have increased crime within the city.

(3) in cases where more rapid industrial development occurred outside the city limits than within the city limits and where city residents were the main component of the employed labor force in the out-of-city plants, there occurred a reduction in the assessed value per capita of the city's property. An increase in tax rates was required if the same level of services was to be maintained. Analysis of the relation between value of services provided to and revenues collected from various classes of property indicates that most residential and some commercial property does not pay its own way;" --

A (Cont.) That is, the cost of providing services to it exceeds the tax revenues received from it --

" industrial, most commercial and high value residential property yields tax revenue equal to or in excess of the cost of services provided.[2]

(4) increased taxes (on city residents) associated with providing services to property located in the fringe area."

I think this is a peculiar phenomenon; this is a phenomenon peculiar to the United States because of the particular county-city system which we have, and may not at all be comparable with the situation in Canada.

"This phenomenon is possible when (a) the county provides services (such as roads) to the residents of the fringe area (but not to the cities), levying taxes upon all property holders in the county, or (b) when areas (such as school districts) receive county aid and assessed values relative to market values are maintained at a lower level in the fringe area than in the city. This is the problem of competitive under-assessment, however, and is not exclusively a city-urban fringe problem.

(5) because of lower residential property taxes in the fringe areas than in the city,

2. Homer Hoyt and Associates, An Economic Survey of Land Uses in Evanston, Illinois, 1949.

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" developed city lots were unused thereby resulting in a loss equal to the cost of development. Faulty anticipations on the part of city real estate owners can hardly be attributed solely to fringe areas, however.

(6) reduction in values of properties located inside the city but near its boundaries, if low grade residential construction or industrial development occurred in adjacent areas just outside the city.

II. Solutions to the Fringe Area Problems

Inspection of the records of some proposals for solving urban fringe area problems reveals that a feasible solution, i.e. one satisfactory to a majority of residents in the city and to a majority of residents in the fringe areas could not be defined. The preferences of a majority of residents in the fringe area conflicted with the preferences of a majority of residents in the central city, and no mutually satisfactory arrangement could be constructed.

Assuming no such divergence of preferences between residents of the fringe areas and the central city, a satisfactory solution to the problems of the residents of the fringe area typically might consist of the provision of a level of services no lower than

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"that currently being provided to residents of the central city at a cost, per dollar of assessed value, no higher than that being imposed upon residents of the central city. Such a solution might be obtained by (1) incorporation of the fringe area as an independent municipality which might purchase certain services from the central city; or, if there are no major economies of scale in the provision of services, the newly incorporated area could provide its own services as cheaply as they could be purchased from the central city; (2) annexation to the central city with the proviso that the services now furnished to residents of the city be extended as rapidly as feasible to the annexed areas.

From the standpoint of the residents of the central city, a satisfactory solution might consist of the opportunity to provide services to its residents at costs to them that are no higher than they would be if the fringe areas did not exist; restriction of activities in the fringe areas so that they conform to the limitations imposed by city ordinances; opportunity for "balanced" future industrial and residential growth. "Balanced" apparently refers to some (perhaps that existing prior to the development of the

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"fringe area) ratio of industrial to residential assessed valuations of properties within the city as well as to the purely aesthetic aspects of industrial and residential location. Such a solution might be obtained by:

(1) annexation of the fringe area to the central city -- if the assessed value of property per capita in the fringe area is no lower than that in the city <u>and</u> there are no diseconomies of scale in the extension of such services as sewage disposal, water, fire protection, etc. to the fringe areas.

(2) the use of taxes on persons as a part of the city's fiscal structure. The use of parking meters and municipal parking facilities are steps in the direction of collecting from out-of-city users of parking facilities. A sales tax is employed by New York City, Washington, D.C., and some cities in California. St. Louis, Louisville, Columbus, Philadelphia, Dayton, Toledo, and a number of smaller cities employ taxes on income earned within the city.

This device of additional taxes on persons solves only the financial problem, however.

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" (3) limited annexation, i.e. annexation for zoning and sanitation purposes. Taxing power in such cases is restricted to taxing only for services rendered.

(4) special-purpose districts with directors from the city and other existing general local governmental units. The powers of such districts vary, but frequently are confined to zoning and sanitation ordinances. Such a solution typically is considered only if the fringe areas already are incorporated. However, the city of Denver, Colorado, arranged to supply water to certain" -- unincorporated -- "areas in the fringe surrounding it in exchange for the establishment of county-wide planning controls, building restrictions and sewage disposal facilities.

Solution (3) is not a solution for the financial problems imposed upon the city by the fringe areas. Solution (4) solves the financial problems only if the special-purpose district is granted adequate taxing power and if the per capita tax base of the fringe area is no smaller than that of the city.

III. The United States Experience: A Summary of Selected Cases

In many instances the only acceptable

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"solution to the fringe area problem has been to do nothing."

If one wishes to call that a solution.

"In some of these cases, the central city has desired to annex the fringe area, but state law has required that a majority of voters (or property owners) in the area to be annexed approve the annexation, and such a majority was not obtained. Apparently, the electorate in the fringe area preferred the lower level of services and lower level of taxes to the higher levels of both taxes and services that would result from annexation. Some states do not permit the city even to initiate annexation procedures, but require petition by the fringe area to the city for annexation. However, some cities would not consider annexing certain fringe areas because the assessed valuations (current and expected) per capita in the fringe areas are so low that the additional costs imposed upon the present city taxpayers are expected to far exceed expected benefits to these taxpayers from annexation.

The most frequently chosen solution (if any, other than maintenance of the status quo or a purely financial solution) to a fringe area problem where the fringe areas are not incorporated has been annexation.

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"This solution has been chosen frequently even when it is believed that for a considerable period in the future tax revenues from the annexed areas would be less than the costs of providing services. In such cases, one might infer that the other benefits associated with annexation (such as control over the activities of the annexed area) were expected to be worth more than the additional costs to existing city taxpayers. In a substantial majority of annexations since the end of World War II, costs of providing additional benefits to the annexed area were expected to exceed revenues from the area during the period immediately following annexation, but increased property values in the annexed areas growing out of the expansion in services which would accompany annexation was expected eventually to wipe out the gap between costs and revenues. However, several annexations took place even though it was not expected that long-run revenues from the annexed areas would exceed long-run costs.

The International City Managers Association summarizes certain characteristics of annexations, publishing such data in The Municipal Year Book. Included in these data are estimates by city officials with respect to whether the annexed area will cost the city more than it will return in revenues,

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"immediately and in the long run. A summary of some of these estimates is presented below."-- in this Table on page 9. I might point out rather than reading the table that virtually all of the cities expected costs to exceed revenues in the short run -- and I interpret this to mean up to approximately five years -- and approximately a fourth to a sixth expected costs to exceed revenues even in the long run.

"

Year	Number of Cities	Number Where Immediately Costs Are Expected to Exceed Revenues	Number Where in long run Costs Are Expected to Exceed Revenues
1948	73	56	13
1949	77	71	15
1950	79	68	12
1951	82	67	11

Some major cities (Minneapolis, Chicago, Detroit, Philadelphia and Pittsburgh are examples) are completely encircled by incorporated areas. Such encirclement creates major jurisdictional problems with respect to such items as traffic and taxes that usually can be solved only by metropolitan authorities, and many smaller cities antiei-pating future growth in outlying areas have chosen early annexation in order to avoid the possibility of separate incorporations -- even

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"though for some years costs to the initial city would exceed revenues from the annexed area.

Following World War II, annexations have been much more frequent than at any time since 1930 and have been (relatively) most popular among cities with populations of 5,000 to 100,000. In 1952, 402 cities annexed territory, while the annual average number of cities annexing territory during a four year period in the late 1930's was 48. Included among those cities making annexations in 1951 and 1952 were Atlanta (annexed 82 square miles of territory), Dallas, Houston and San Antonio. Annexation has been most frequent among cities in Missouri, Texas, Georgia and Virginia. In Missouri and Texas, a city may annex (unincorporated) territory upon its own initiative without consulting the residents of the territory to be annexed. In Virginia, a court decides whether annexation shall be permitted and since the end of World War II has almost always decided in favor of the city.

In most other states, either the people in the territory to be annexed make the decision -- i.e. may petition for annexation or veto annexation proceedings initiated by the city, <u>or</u> a majority of the voters in the city <u>and</u> a majority of the voters

A (Cont.)

"in the area to be annexed must vote in favor of annexation.

City officials generally recognize that (1) areas should not be annexed unless a reasonable complement of services can be extended without undue delay, and (2) new areas should not be annexed if their development will take place at the expense of older areas, i.e. if tax collections per capita from the new areas will continue to be less than tax collections per capita from the old. A survey of officials in 108 U.S. cities in 1949 revealed that about two-fifths of the large cities (those with populations of 100,000 or more) believed that annexation is not the solution to their fringe area problems. Extended powers to the county was the solution proposed most frequently as an alternative to annexation.[3]

Choosing to annex territory may have made it possible for a city to solve its developmental problem but frequently has made more acute its financial problem. Both the previous and subsequent discussion suggests that these two problems may be solved independently. An agency such as a metropolitan planning authority might be used

3. Refer to John C. Bollens, "City Annexation Problems and Policies," Public Management, April, 1950, pp. 76-79.

A (Cont.)

"to solve the developmental problem, but would not solve the financial one. Use of certain kinds of taxes could solve the financial but not the developmental one.

A. Annexation proposals.

The cases described below were selected on the basis of availability of information and comparability with Edmonton in population and are not necessarily representative of proposals that have been made and acted upon in the United States.

1. Dayton, Ohio

In 1946, the city of Dayton (1950 population 243,872) proposed annexing areas, the population and assessed values of which totalled respectively 38,400 and $52,246,000. Dayton has a high population density (10,000 per square mile); its government believed the city needed an added balanced industrial-residential tax base for future population growth; and, like many other cities, it was subsidizing its suburban areas. Some facts relating to the proposed annexations are described below:"

-- in the table which I have put on page 12. I might have indicated that the assessed value per capita ranged from $500.00 to $2254.00 in the sections where annexation was being considered,

A (Cont.) the average for the entire area being $1361.00. I have no data for Dayton; however, it is quite comparable to cities such as Canton, Akron, Youngstown and Toledo -- also Ohio City -- which had assessed values ranging from fifteen hundred to seventeen hundred dollars; consequently, the area to annex, to be annexed, in Dayton, probably had an assessed value per capita at least 15 percent below that of Dayton, that which prevailed in the City of Dayton itself. Apparently only two of the smaller -- populationwise -- areas where annexation was proposed, actually have been annexed --

"the other proposed annexations having been vetoed by the voters of the respective areas. Dayton, in the meantime, has adopted an income tax to solve the financial aspects of the problem.

Area	Population	Assessed Value	Assessed Value per Capita	Nature of Area
Northridge	6,500	$4,700,000	$ 723	Mixed commercial-residential agricultural
Shiloh	1,600	2,700,000	1,688	residential-agricultural
Ft. McKinley - Riverdale	4,800	9,000,000	1,875	industrial-commercial-residential
Western	2,000	1,000,000	500	low grade residential
Southeastern	4,800	2,780,000	579	multiple dwellings
Southern Hills	3,500	5,300,000	1,514	residential
Oakwood	10,000	22,544,000	2,254	a separate city
Eastern - Southeastern	4,000	2,200,000	550	mixed residential
Mad River	1,200	2,022,000	1,685	prospective industrial
All	38,400	$52,246,000	1,361	

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" Data relating to the assessed value of taxable property in Dayton were not available. However, Dayton is similar to Canton, Akron, Youngstown and Toledo which had assessed values per capita in 1946 of $1,639; $1,508; $1,712 and $1,701 respectively. Consequently, the area to be annexed probably had an assessed value per capita at least 15 percent below that of Dayton.

Apparently the Mad River area was annexed (1949) and one other area was added more recently, the other proposed annexations having been vetoed by the voters of the respective areas. Dayton, in the meantime, has adopted an income tax to solve the financial aspects of the problem.

2. Norfolk, Virginia

A consultant on city planning employed by the city of Norfolk, Virginia (1950 population 213,513) recommended in 1948 that the city annex areas containing about 47,500 people and having an estimated assessed valuation of about $38,302,000. The cost to the city in the second year following annexation was estimated at $1,037,000, i.e. the yearly cost of providing services to the annexed areas would be more than $1,000,000 in excess of the tax revenues which these areas would yield.

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" The assessed value per capita in Norfolk was estimated at $1,263 in 1946 while that of the area to be annexed was about $806 in 1948.

No report of the annexation has been noted, and it is inferred that the city of Norfolk chose not to accept the recommendations of its consultant.

3. Fort Wayne, Indiana

A study of the advisability of annexing 8 areas adjacent to Fort Wayne (1950 population 133,607) estimated the areas to contain a total population of about 6,000 and a total assessed valuation of approximately $4,500,000 or an assessed value per capita of $750. Fort Wayne, in 1946, had a per capita assessed valuation of $1,559. The report did not recommend annexation of these areas.

4. Raleigh, North Carolina

Estimates of revenues and costs associated with annexing certain areas adjacent to Raleigh , North Carolina, were as follows:" -- -- are described in the table on page 14. I note that only in the first year following annexation was it believed that costs would exceed revenues. At the end of the fifth year, revenues would exceed costs by $107,000.00, and at the end of the tenth year, revenues would exceed costs by $168,500.00.

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"Area — Annual Revenues

	Beginning of 1st Year	End of 5th Year	End of 10th Year
Longview Gardens	$28,900	$68,100	$89,500
Poole Road	35,300	42,500	51,200
Caraleigh	25,800	31,000	36,800
Ridge Road	41,000	86,000	86,000
Lake Boone	22,000	33,600	33,600
Crabtree Creek	6,200	15,100	15,100
Northside	28,700	44,000	48,300
Colonial Stores	28,000	65,500	103,300
Belvidere Park	29,500	33,600	33,700
All	$245,400	$419,400	$497,500

Area — Annual Costs

	Beginning of 1st Year	End of 5th Year	End of 10th Year
Longview Gardens	37,700	56,400	65,000
Poole Road	40,100	40,700	41,600
Caraleigh	50,600	52,200	55,300
Ridge Road	35,300	45,900	45,900
Lake Boone	22,200	25,200	25,200
Crabtree Creek	5,000	6,200	7,300
Northside	35,500	40,500	42,400
Colonial Stores	12,800	15,300	15,800
Belvidere Park	29,000	30,000	30,500
All	268,200	312,400	329,00

Excess of Revenues over Costs:

1st Year: -22,800

5th Year: + 107,000

10th Year: 168,500

The growth of revenues was expected to exceed considerably the growth of costs. Most of these areas were well developed residential areas or commercial areas (shopping centers)."-- none of them were industrial -- "To date only the Belvidere Park annexation has been completed." -- the other areas having voted to turn them

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down -- "The city is furnishing services (such as water) to most of the other areas, and an incentive to an area to be annexed is being provided by higher charges for these services to residents outside the city than to city residents.

5. Louisville, Kentucky

The following areas were being considered for annexation by the city of Louisville (1950 population 369,129) in 1950."

The table on page 15 describes these by population, assessed value per capita, and a general description of the type of area. These assessed values per capita range from $692.00 to $2,565.00. The assessed value per capita in the city of Louisville in 1946 was $1,076.00.

"

	Population	Total	Assessed Value per Capita	Type of Area
Greentree Manor	1,230	$ 851,495	$ 692	Rural
St. Mathew Business District	700	1,450,755	2,073	Residential and commercial
St. Mathew Sanitary District	15,000	14,422,395	961	Residential
Camp Taylor	19,000	21,799,795	1.147	1/3 industrial
Rubbertown	6,000	15,389,485	2,565	76% industrial

The assessed value per capita in the city of Louisville in 1946 was $1,076. It was estimated that the costs of providing services to the annexed areas would be

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"$1,578,276 annually while annual revenues would total $883,669 leaving a net additional cost to the present city of $694,607 annually. The final recommendation was that the Greentree Manor area be annexed and that the Camp Taylor and Rubbertown areas be annexed" --

The final recommendation was that only one residential area be annexed, and this was the one with the lowest per capita assessed value, and that the two industrial areas be annexed --

--" if the provision (municipal ordinance) that industry be exempt from city property taxes for 5 years after location in Louisville could be repealed or an interpretation favorable to the city could be obtained from the courts.

B. Solutions to Financial Aspects of Fringe Area Problems

Annexation of territory is not a feasible solution to the financial problems of the larger cities in the United States where incorporated areas providing adequate services as cheaply as they might be provided by a larger unit would have to be annexed. Nor is it a solution to the financial problems of any city if the per capita tax base of the area to be annexed is smaller than that of the city. It already has been indicated that taxes on persons have been considered a means whereby the central city could collect

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"revenues from non-residents who regularly make use of the services provided to persons by the city. It might be noted that some of these taxes on persons, insofar as revenues from them permit reduction in the city's real estate tax levies, reduce the resistance of residents of fringe areas to annexation, thereby making annexation a more easily achievable solution for the smaller cities where annexation of territory would provide a more economic service unit and where the tax base of the area to be annexed was adequate, but the residents opposed annexation.

Taxes on selected goods and services (cigarettes and admissions to movies, plays, concerts, etc. are most frequently singled out for taxation) are used by a number of cities but yield insignificant amounts of revenue. A retail sales tax and a personal income tax are the significant revenue yielders that have been employed. Among the cities employing a retail sales tax are New York, Los Angeles, San Francisco and Sacramento. Data are not available to permit accurate estimates of how much of the revenues from these taxes come from non-residents. However, such a tax increases the incentive to trade in suburban shopping areas and accelerates the movement of business (and the real estate

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"tax base) to the outlying areas. Philadelphia tried such a tax for only one year, discarding it because of a strong belief in the argument presented above.

An income tax, levied against both residents and non-residents, on income earned in the city is employed by several cities in Ohio, Pennsylvania and Kentucky as a means of taxing some suburban residents for services provided to them by the city. About 30 percent of the tax revenue of Philadelphia and nearly 40 percent of that of Toledo was obtained from income tax collections in the year 1950. The extent of collections from non-residents in selected cities in 1950 is indicated in the following table.[4]

That information is included in the table which I have presented on page 17, and I note that about 30 percent -- the highest amount of income tax revenue collected from outside or non-residents was about 30 percent.

City	1950 Pop.	Total Revenue (All sources)	Income Tax Collections from Non-residents	Per cent of Total Income Tax Revenues Collected from Non-residents
Philadelphia, Pa.	2,071,605	$126,026,000	$5,625,000	15.0
Johnstown, Pa.	62,232	1,938,000	143,000	29.0
New Castle, Pa.	48,834	1,060,000	63,000	17.0
Toledo, Ohio	303,616	17,098,000	450,000	6.6
Columbus, Ohio	375,901	12,992,000	434,000	14.2
Dayton, Ohio	243,872	10,571,000	353,000	20.0
Louisville, Ky.	369,129	28,104,000	831,000	15.0

4. The financial data in the table were obtained from Robert A. Sigafoos, "The Urban-Rural Fringe Population Problem and Effects on Municipal Finance," Current Economic Comment, Vol. 14, No. 4, Page 10.

A (Cont.)

" Since 1950 a number of cities, including St. Louis, have added the income tax to their revenue sources."

Thank you.

MR. BROWNLEE: Now, Doctor Brownlee, I would like to ask you a few supplemental questions to add to what has been said in your brief.

THE CHAIRMAN: Mr. Brownlee, perhaps before we proceed with your examination we should enter this as an exhibit.

MR. BROWNLEE: Yes, Mr. Chairman.

THE CHAIRMAN: 145E.

BRIEF PRESENTED BY THE WITNESS, IS MARKED EXHIBIT 145E AND PUT IN.

Q MR. BROWNLEE: In your brief you have indicated that some cities in the United States chose to try to solve their financial problems by the use of taxes other than property taxes, and I am wondering -- in the City of Edmonton we have a business tax which, I think it might be said, is in effect a tax on rentals. I am wondering if you would say that such a business tax is partly passed on to buyers of goods and services, some of whom may come from outside the city, from employment outside the city.

A This question of who bears the tax burden, as incidence of taxation, is probably one of the most controversial in economics, unfortunately.

A (Cont.) However, it would be my opinion that this kind of tax is passed on by the sellers of goods and services in Edmonton to the buyers of these goods and services, including those who reside in outside areas, primarily because Edmonton represents to this population -- or, Edmonton has what you might call a kind of captive population so far as sales of such goods and services are concerned. However, for those sellers who have a national market and who face competition from sellers who would not have imposed upon them a similar kind of tax, this tax would not be passed on, but would be borne by the business itself.

Q In that latter case you might, I suppose, be thinking of a business such as an industry, a petro-chemical industry -- .

A Yes.

Q -- that has a market elsewhere?

A Yes, any industry that has a national market, where the bulk of its goods are sold outside the city, and where it must face competition, obviously, from producers who would not have imposed upon them a similar kind of tax, could not pass the tax on to the buyers of such goods and services, but would have to bear the tax itself.

Q Now, we do have a property tax in the city, and I am wondering to what extent that may or may not be passed on.

A Well, insofar as the property tax in Edmonton and the property taxes -- you are referring generally

A (Cont.) to property taxes, I take it?

Q Yes.

A The property tax in Edmonton is comparable with property taxes in other areas, and this tax is probably not passed on.

Q One of the questions with which we are faced at the present time is that we have, as you know, a large industrial area to the east of the city, and there is some feeling that if that industrial area might be annexed by the city, that industry would be required to pay larger property taxes. Now, can you say, from your experience or from your studies, what effect that might have on the decision of industrial people who might be considering the choosing of a location for development in this province?

A The studies that have been made, as I recall, of the effect of taxation on the location of industry have been of two kinds: one, businesses have been asked what factors do you consider important in deciding where to locate -- and they will list such things as the water supply, labor supply, availability of power -- and taxes -- taxes being only one of such factors. However, they are not in general able to indicate just how important they consider taxes relative to these other things, and it's rather difficult to find cases where everything else except the taxes were comparable, to say whether taxes really had a very significant effect.

A (Cont.) Another kind of study has been to compare the rates at which capital has grown as between states, in those states where there were business taxes, such as corporate income taxes or gross income taxes, with those where there were none; and here one again finds that taxes have a very significant effect; however, it might be noted that in the United States a number of cities in the south, particularly the south-east, have granted tax concessions to industry in the form of tax exemption for a certain period of time, and that some of these states, particularly South Carolina, where such exemption has been most widespread -- that they have been very successful recently inducing industry to move, particularly from New England, to the south.

Again, I don't think that one could state that tax considerations alone have been responsible for this movement -- the labor supply, apparently, is much better -- this industry initially had expected wage rates would be somewhat lower; but tax considerations, apparently, have had some effect. To take as an example, such an industry or a product such as the petrochemical products, where there has been previously some delayed growth insofar as location is concerned in any particular area due to such things as unfavorable transportation rates, we would expect that taxes and transportation rates are somewhat similar kinds of costs, as far as the business is

A (Cont.) concerned, and that if unfavorable transportation costs had an effect upon location of industry, similarly unfavorable tax treatment would have a comparable kind of effect.

I made a rather quick calculation of the relation between -- or, of the comparability, for example, of a tax change and a change in wage rate for one of the firms in Strathcona which I understand has an employed labor force of about 600 people -- .

Q That is Canadian Chemical.

A Canadian Chemical -- . Its tax bill was estimated would be, that it would be about $180,000.00 more if it were included as part of the City of Edmonton, than if it were to be maintained in the Municipal District of Strathcona; this would be equivalent to granting each of the workers, would be the equivalent as far as the business is concerned of having to grant to each of the workers in the plant a wage increase of approximately 15 cents per hour, and we know that wage differentials of this size are important in determining industrial location.

Q Yes. Now, referring to page 6 of your brief, you refer, in your own words, to the desire for central cities to have balanced future growth as between residential on the one hand and commercial and industrial on the other. I would like to ask you what you think is meant by "balanced" and do you believe this is an important consideration

Q (Cont.) in determining whether or not an area should be annexed.

A In looking at -- examining the literature with respect to annexation -- that is, both the actual cases and the theory, the term "balance" as far as I can determine, is more or less undefined, a more or less undefined term. What the city is interested in is an adequate -- again undefined -- real estate tax base per capita -- that's what it is really concerned with in deciding whether or not to annex property -- is whether or not the amount of the assessed value per capita is going to be larger or smaller than the assessed value per capita that already exists.

If it's going to be smaller, then, obviously it's going to cost the city something to annex the area. If the assessed value per capita is going to be larger than that existing in the city, than, the city of course is going to gain.

So, I think, what really lies behind the notion of "balance" is the assessed valuation per capita, and not necessarily the ratio of industrial assessment to residential assessment.

MR. ROBISON: Would you repeat that again, Doctor Brownlee, please?

A It is my belief that what really lies behind the notation of "balance" -- what people really have in mind when they talk about "balance" -- is the ratio of assessed value to population, or the

A (Cont.) assessed valuation per capita, and not necessarily the ratio of residential assessment to industrial assessment. It might be that because, in general, industrial assessment per capita is considerably higher than the usual residential assessment per capita, and there is a fairer -- in some instances at least, a fair degree of uniformity among industrial assessment per capita and residential assessments per capita, that by obtaining a certain "mix" of residential and industrial assessments you will get an adequate per capita assessment; but what I think these people have in mind is the adequacy of the assessed valuation per capita, and one will note this -- I think -- I think my claim is substantiated by noting that if the assessed valuation per capita is low, the city is not usually interested in annexing this, whether it is residential or industrial.

Again, if the assessed valuation per capita is high, the city is interested in annexing this, whether it is residential or industrial.

Now, among the examples that I have described here was included the City of Raleigh, North Carolina -- now, you will note that the assessed valuation per capita in all of these various parts to be annexed was very high -- all of them, I think, were over $1500.00, and

A (Cont.) some ran up to $2200.00 -- these were all residential or commercial properties, no industrial properties included; the city was interested in picking them up because of the expansion in the per capita assessment that this would bring with it. Similarly in the -- take the city of Norfolk, there were a number of industrial -- areas that were classified as industrial that could have been annexed, but where the assessed valuation per capita was low, and these were turned down because it would have cost the city something to annex them.

So, I would advance the plea or the claim that one ought to have a certain "mix" of residential property and industrial property, to be based really upon the belief that what is required is an adequate assessed valuation per capita, and if it came right down to it, the city would not care whether this was industrial property or residential property.

Q Well, now, Doctor Brownlee, let us say that, specifically in the city of Edmonton, over the past few years the proportion of residential assessment to other types has increased somewhat. Then, quite possibly, by the same token -- it is quite possible by the same token that if there is greater income prevalent in the city that the standard of residential housing may have increased and may have increased the residential assessment,

Q (Cont.) with the consequent result that there might not be any substantial change in the per capita assessment. Would you agree with that as a possibility?

A You are saying that it is possible for there to be an increase in the ratio of residential to industrial assessment, and still maintain a constant or perhaps even an increasing per capita assessment?

Q Yes.

A Yes, this is quite a possible situation, particularly in an area such as Edmonton where the industrial growth has increased the income of the people who reside in the city, it has made it possible for them to construct houses that have much higher valuations than those which were previously constructed, to expand the ratio of industrial to residential -- I should say residential to industrial assessment, and at the same time not to decrease but perhaps even to increase the assessed valuation per capita.

I think taking a rather quick glance at what has happened to real assessed valuation per capita in Edmonton since 1930 -- 1939, approximately, I notice that, correcting for the changes that have taken place in the value of the dollar, even though there had been an increase in residential, in the ratio of residential to industrial assessment, the real value of assessment per capita remains

A (Cont.) approximately constant, and this I would explain on the basis of the fact that now the residences that are being constructed are on the whole considerably larger valuation than those which existed before the industrial development; so that in balance, if we look at it in terms of assessed valuation per capita, imbalance need not arise out of an increase in the ratio of residential to industrial assessment.

MR. MOFFAT: I wonder if I might interrupt there; I was looking at my notes, and I missed the first half of the statement there, and the end of it sounded as if it was something I should have heard. I wonder if I could have a repeat on it. It was the matter of the increase on the assessment in the city being related to some change in the structure of the houses.

A Oh, the question, to repeat, was as follows: is it always true that if we have an increase in the ratio of residential assessment to industrial assessment, that this in turn will mean a fall in per capita assessment.

MR. MOFFAT: Yes, and what is the answer to that?

A The answer to that is, no; that it is possible, because of increased income, to have an expansion only in residential construction, residential assessment, with no change, for example, in industrial assessment; and still increase the assessed valuation per capita because the new residential construction is of high quality, high

A (Cont.) assessed value, growing out of the increased income that could be provided by an industrial area, and industrial development such as Strathcona.

This, perhaps, is more evident in some of the incorporated suburban areas around some of the larger cities in the United States.

Now, you find around Philadelphia, for example, two suburbs which are exclusively residential, but which have very high assessed valuations per capita. You find around the City of Minneapolis, or adjacent to the city of Minneapolis, the city of Edina which is exclusively a residential and commercial area with no industrial assessment whatsoever, which the city of Minneapolis would be very happy to incorporate, to add, because it has a very high assessed value per capita; the people who live there have high incomes, have high value establishments.

MR. MOFFAT: I thought I heard some suggestion that this was the explanation of an increase in the assessment per capita in the City of Edmonton.

A I said so far as I can tell as a result of a rather cursory glance at the assessment, population and price level figures, that the assessed valuation per capita in real terms -- that is, corrected for change in the value of the dollar -- had remained approximately constant, even though there had been an increase in the ratio of residential assessment to industrial assessment.

Q MR. BROWNLEE: Now, I might say to you, Doctor Brownlee, that I am going to come next to what we have called in our discussions to date the dormitory problem, and I might point out that the location of industry in the Municipal District of Strathcona has been said to have caused a financial problem to the city, but that it has been the feeling of some that there has been an off-setting benefit derived by the city. The suggestion was particularly advanced by Doctor Littler of Canadian Industries, now; might I ask you whether this benefit to the residential assessment might be termed as an advantage accruing to the city from the location of industry?

A Of course, the advantages that accrue to the city are more than those which accrue only in terms of revenue to the city, as everyone, I think, recognizes; but if one looks at it purely from the city revenue point of view, if the expansion in income led to an expansion in residential assessment that more than took care of the costs of providing the services, this obviously would be an advantage to the city. However, I think most cities -- if I may elaborate -- most cities that rely, as they do, upon a real estate tax as the primary source of revenue find that it is rather difficult within a short period of time, at least, to capture the benefit of the increased incomes that accrue to the residents

A (Cont.) of the city. If the city, for example, had some other kind of tax such as a sales tax or an income tax, then the increased incomes of the residents of the city would show up rather immediately in the increased income taxes or increased sales taxes that they might pay; and accompanying that increase in income is an increase in expenditure -- if the expenditure were made in the city of Edmonton, this would show up, say, in the form of increased sales tax, revenue to the city through a sales tax. A number of cities, including Edmonton, do have a kind of tax and do have the opportunity to impose a kind of tax that is related, in a sense, to a sales tax. It is an accompaniment to an increase of income, and is usually shown in an increase in payment for such services as telephones, electric power consumption, and is evident in homes -- they will buy toasters, electric irons, electric appliances of all sorts, washing machines, etc., which they didn't feel they were able to afford before, and this increases power consumption; people who didn't have telephones before install them, and people who did have them use them more frequently; and if the city owns the telephone system and the power production facilities and transmission facilities -- as I understand the city of Edmonton does -- then, in this fashion

A (Cont.) they capture rather rapidly a portion of the increased income that accrues to the residents of the city from an industrial development such as Strathcona.

Q Thank you. Now, going specifically to what we term the primary argument, the suggestion has been raised that by reason of the fact that certain employees of industry in the Municipal District of Strathcona reside in the city of Edmonton, and as the city does not have the benefit of the property tax on the industry in question, a burden of cost is thus imposed upon the city. I wonder if you would give us your views as to whether or not that may be correct?

A The question is: does the industrial development in Strathcona, where there is a net daily migration of workers from Edmonton to Strathcona, impose upon the city costs that would not exist in the absence of this development.

Q That's right.

A The answer, I think, to this question would be yes, that where you do have people who live inside of the city, who may own residences but who work in industries outside of the city because of the generally lower -- because of the fact that residential taxes -- taxes on residential property do not usually pay their own way -- that this would impose additional costs on the city. However, looking at this Strathcona-Edmonton problem, the amount of such cost I would estimate to be relatively small because

A (Cont.) the net daily migration from Edmonton to Strathcona is small, as we not only have people, apparently, who live in Edmonton and work in Strathcona, but there are also people who live in Strathcona and work in Edmonton; granting perhaps that if the people who represent this net migration, these net migrants, are paying nothing to Edmonton in the form of taxes, the claim which the city would have against the Municipal District of Strathcona would be a relatively small one.

This also shows up again, by the way, in the fact that the total assessed value per capita of the City of Edmonton in real terms has remained approximately constant. If this had been a real drain, if you had had a large scale industrial development for which Edmonton provided the so called "dormitory", and if this imposed a real cost upon the city of Edmonton, a large cost upon the city of Edmonton, one bit of evidence that would show this immediately is a decided decline in the real assessed valuation per capita, and this has not taken place in Edmonton.

So, my answer to your question would be that in principle the answer is yes, the industrial area does impose some cost in the sense that the city is not able to capture revenues from this -- it is my estimate that this cost is a small one as it is not represented by the amount of additional tax revenue which the city would pick up if it annexed the Municipal

(Cont.) from Edmonton to Strathcona is small, as we do only have people, apparently, who live in Edmonton and work in Strathcona, but there are also people who live in Strathcona and [illegible] in Edmonton [illegible] perhaps that if the people who experience this migration, who are not [illegible], are paying taxes to Edmonton in the form of taxes, the claim that the city would have against the Municipal District of Strathcona would be [illegible] small one.

This also shows, again, by the way, in the fact that the total assessed value per capita of the City of Edmonton in [illegible] remained approximately constant. In the [illegible] I seen a real train, if you had had a large early industrial development for which Edmonton provided the so called "dormitory", and it was imposed a real cost upon the city of Edmonton, a large cost upon the city of Edmonton, one bit of evidence that would show this immediately is a decided decline in the real assessed valuation per capita, and this has not taken place in Edmonton.

[illegible], my answer [illegible]

[illegible] - [illegible] - [illegible]

A (Cont.) District of Strathcona; the evidence for this is provided in two ways: one, that the number of people who migrate daily, net, from Edmonton to Strathcona is of a small number, some three digits in number at the largest, and that the assessed valuation per capita in real terms in Edmonton has remained approximately constant, and both of these things point to the fact that the claim which the city might have would be a very small one.

Q I imagine it might be quite a problem to determine?

A Yes; as I said, I would not wish to commit myself whether this is $10,000.00 or $251,232.63, or some such thing -- but it is possible in principle, at least, to compute such a claim, and I think it would turn out to be a much smaller claim than the difference, than the addition to tax revenue to the city that would be brought about as a result of annexation.

THE CHAIRMAN: Mr. Brownlee, will you look for a suitable place to have the morning break?

MR. BROWNLEE: I think now might be a good time, sir; I do have a few more questions.

THE CHAIRMAN: Well, if that suits you at the moment -- .

MR. BROWNLEE: Yes.

THE CHAIRMAN: All right; we will adjourn to 11:05, please.

(At 10:55 a.m. this date the Commission stood adjourned until 11:05 a.m. this same date and reconvened.)

A (Cont.) District of Scarborough. The answer for this is provided in the report. One, that the number of people who migrate daily, east, from Etobicoke to Scarborough is of a small number, more those digits in number at the largest, and that the reason is [illegible] or more a real reason in Edmonton [illegible] "[illegible] system", and both of these points point to the race that the claim which by crazy might have could be a very wrong one.

Q I imagine it is quite a [illegible] to determine? Yes, as I said, a [illegible] to count [illegible] weather this [illegible] 32.6 [illegible] some such thing -- but it is possible in principle, at least, to compute [illegible] and I think it would turn [illegible] to be a much smaller claim than the difference from the addition to tax revenue to the city that would be brought about as a result of annexation.

THE CHAIRMAN: Mr. Brownlee, will you look for a suitable place to have the morning break?

MR. BROWNLEE: I think now might be a good time, sir; I do have a few more questions.

MR. BROWNLEE: Mr. Chairman, I was wondering if the suggestion could be made to the witness that if he should choose, he might sit rather than stand.

THE CHAIRMAN: Dr. Brownlee, I hope you will take advantage of that.

A Thank you.

MR. BROWNLEE: Well, Dr. Brownlee, going back to the dormitory problem and to the thought that having regard to net migration, there might be some obligation on the part of Strathcona to the City of Edmonton, and I wonder if you would indicate whether you feel that this could be properly met in the form of income transfers from the municipality to the city?

A I take it your question is if the City of Strathcona, or if the City of Edmonton has a legitimate claim against the district of Strathcona, can this be met by means other than annexation of the municipal district?

Q Yes.

A My answer would be yes, that a direct income transfer or payment by the municipal district to the City in the amount of the claim would solve this particular aspect of the Edmonton financial problem.

It might also be mentioned,that perhaps to a certain extent the problem is one imposed by a higher governmental authority in so far as the Provincial Government of Alberta has encouraged the industrial development in the Edmonton and Strathcona, in the Edmonton area including Strathcona.

A (Cont'd) That the Provincial Government may also have a reason to provide transfer of income to the City; in this connection, I might mention that in the United States the defense plants corporation located a number of plants near cities, or in cities, ordinance plants to manufacture munitions. These were owned by the Federal Government and hence did not pay taxes to the local governments, Federal property being exempt from taxation

The Federal Government then provided to the local government a grant in lieu of taxes to handle such problems as arose from the expansion of the school system, sewer system, street system, etc. As I recall there was no direct formula provided for the provision of such grant. It was partially a matter of what one might call bargaining, but a legitimate claim on the part of a local government against the Federal Government was recognized, and this was settled by a direct income transfer from the higher governmental authority to the lower one.

MR. HOBISON: Excuse me, Mr. Brownlee. On that point, Dr. Brownlee, do you know of any precedent in the United States for a proposition such as this income transfer other than the one you just cited?

A Other than -- do I know it from one city, for example, to another?

Q Yes, a rural municipality to a city?

A Well, only with respect to the provision of such services as schools, or where other kinds of services

A (Cont'd) such as sewers or water is provided.

MR. ROBISON: A general transfer without being specifically allocated, do you know of any?

A I know of none, yes.

MR. ROBISON: Thank you.

Q MR. BROWNLEE: Finally, Dr. Brownlee, I know that you have indicated to me in private conversation that you are not a planner, but I would like to ask you two questions, and ask you to answer as best you can. With regard to planning boards, planning commissions, planning authorities, whatever name they might have in the United States, do you know whether such boards are largely vested with advising authority, or do they act in an advisory capacity, or are they clothed with executive authority?

A Well, I haven't made an exhaustive survey of this particular subject.

It is my impression, however, in recalling a few of these cases that they are vested largely with advisory authority. The cases that come to, where it is an overall kind of planning authority the cases that come to mind are, first,the San Francisco Bay area which includes the large cities of San Francisco and Oakland, and the somewhat smaller cities of Berkley and Almeda, and then a number of still smaller cities extending as far south as, I think Palo Alto, a very large area in terms of both geography and population. Here the metropolitan authority, the planning authority has only advisory

A (Cont'd) powers.

The county of Allegheny in which is located the City of Pittsburgh,Pennsylvania, and a number of smaller incorporated cities was proposed at one time to be an overall planning authority with taxing powers as well as zoning powers, and since its proposal had to be okayed by all the governments involved, this proposal was not accepted, even though the City of Pittsburgh was decidedly in favour of it.

A special authority was, I think it is called the Airports Authority, was established to deal solely with the airport problem where they did have more than planning authority, but the rest of the authority is only for planning -- is only for advisory purposes.

In the Minneapolis, St. Paul area where all the places that have substantial amount of residential development, or industrial development were incorporated, and where annexation is not, is a solution that is not even considered, is considering the establishing of a metropolitan authority, which I think also is, for which it is proposed also that there be only advisory, so to the best of my knowledge, so far as metropolitan authorities are vested only with advisory rather than with executive authority, except in respect to certain kinds of services.

Q And next, Dr. Brownlee, I would like to ask you, what would you have to say with regard to the suggestion that there might properly be established an optimum

Q (Cont'd) size for a city such as Edmonton which in part might be based on the extent and capacity of present utility systems?

A I take it your question deals with the relation between the average cost; that is the cost per capita of providing services, and the size of population within that particular administrative unit?

Q Yes.

A As whether or not there is some population, some figure for population which is such that the cost of providing services per capita is small as minimum, is as small as it can be obtained.

Well, considering the fact that there are a number of different services provided by the city, water, police protection, fire protection, schools, educational facilities and the like, and that there is no reason to believe that the population number associated with each of these types of services would be the same for each type of service, I would say that the notion of an optimum size is not a very useful kind of concept. For example, a policeman on foot, or in a motor vehicle is able to patrol a certain area, and to maintain that given population a certain crime rate; to keep the crime rate from advancing beyond a certain number when he is patrolling this particular area. If another area of exactly the same size and population composition were to grow up, another policeman of exactly this same type could be provided, so that the cost of police protection

A (Cont'd) per capita would be approximately constant, providing that you chose appropriate sized unit. Similarly, if another city exactly the same size as Edmonton were to be located exactly adjacent to Edmonton, certainly the cost of providing sewer services, water services, etc., assuming that the water supply is adequate, and that there is some sort of sewage disposal plant, or neutralization plan in Edmonton, the cost of providing sewer and water services per capita for the new city together with the old should be no larger than they would be for Edmonton, but it is my belief that for administrative purposes the population units that ought to be chosen should vary for the different services. We might find that the lowest cost or optimum size unit for administering school services might be, say one hundred thousand people, and the optimum size population unit for administering, say a sewer system might be, say two hundred and fifty thousand people, in which case, if you had a city of five hundred thousand population you would have two sewer units administratively and five school units. There might be some other service the optimum, or at least cost population size might be, say fifty thousand, in which case for this city of five hundred thousand you would have ten such units and so on. I think it is for this reason that we find when we look at the cost per capita and the size of the city there is no very close, no very striking relationship with just dividing the administrative costs

A (Cont'd) by the population doesn't give us any very good relation with population size, of course, a portion of this is because we aren't able to measure by the expenditures alone what the quality of the service is. There might be considerable variation in this, but even if we were able to standardize for the differences in services, we probably wouldn't find that there is any very close relation between costs and city's size up to a fairly large population figure.

MR. BROWNLEE: Thank you. I believe -- that's all for the moment, thank you.

THE CHAIRMAN: Mr. Moffat.

MR. MOFFAT QUESTIONS THE WITNESS:

A Dr. Brownlee, the first paragraph of your --

THE CHAIRMAN: Mr. Moffat, excuse me a minute. Dr. Brownlee, the understanding was that if you cared to answer from your chair -- you understood that?

A Yes, I understand that, thank you.

MR. MOFFAT: He is probably like myself, he needs a little room to get around.

THE CHAIRMAN: Yes, I think he is.

Q MR. MOFFAT: The first paragraph of your brief more or less sets the general tone of your presentation, and I notice that the last sentence of that paragraph talks about legal restrictions imposed by the state.

A Yes.

Q Now, you are aware of the nature of this Commission, are you, in respect to legal restrictions, that this Commission pays no attention to legal restrictions. Their function is to recommend how the legal restrictions should be changed. Were you aware of that distinction, because it will have some bearing on several of the questions I am going to ask you.

A I meant here by 'legal restrictions', the provisions that are made by the states for the cities to annex property, for example, and my understanding of this, of the procedure in Alberta is that it is somewhat similar to that in Virginia where a court hears evidence and decides whether annexation or some other procedure is fair and just.

Q Well, but that is the distinction I wanted to get into your mind. This Commission does not operate that way at all.

A Does not operate --

Q This Commission operates on the basis that they make their recommendation to the Provincial Legislature, and the Provincial Legislature then changes the law in whatever changes are necessary, in other words, the problem which we are dealing is, what would be a good thing to do for the area.

A The Commission, in other words is not a court that settlesthe case here and now, it makes a recommendation to the Legislature?

Q Yes, and is not bound in any way by restriction. It is a question of what should we do rather than what can we do within the existing regulations.

A Yes, I am aware of this.

Q Now that fundamental point concerns me almost the whole way through your brief, and therefore I thought we should establish it at the beginning, because there are several places where I propose to ask you, what do you think would be a good thing to do, rather than what do the American's do, or what is done within a particular set of restrictions. I want to establish that right at the beginning.

A I understand this,

Q Now, just about that reference to legal restrictions, you say the preference of property holders in one region may differ markedly from those in another; now, in terms of the point I just made, do you think the preference of property holders, do you think that is the real crux of the matter, do you think that that is the most important criterion of what should be done in an area that is growing to three or four hundred thousand people?

A If there are people who prefer the lower services and the lower taxes to the, for example, to the higher services and the higher taxes, should these preferences be ignored?

Q No, I am asking you, do you think that should be the overriding criterion?

A Well, I am not quite certain as to what you mean by overriding. If there are such people, their preferences should dominate say the majority of the population, or their preferences should be ignored, or what you have in mind.

Q Well, I had in mind two points. One is, is it property holders only, or is it the general public, even if they are not property owners?

A Well, maybe either. People may live in low rental areas knowing that services will be low and that rents will be low because taxes are low and prefer this than living in higher rental areas where both taxes and services are greater, so I think it is preferences of residents as well as property holders that I am talking about.

Q Yes, well, that is the one distinction I wanted to get.

A Yes.

Q You are thinking really in terms of residents, the people who are in the area?

A The people who live there.

Q And there is no particular emphasis on whether or not they own property?

A No.

Q It is the residents in the area.

Now, this second point arising out of that, supposing that there are three hundred thousand people in the area, and two hundred and ninety thousand of them want something and the other ten thousand don't, should you take into account the preference of the other ten thousand, and to what extent?

A Well, if the fact that the ten thousand do not want something, and it does not block the other two hundred and ninety thousand from getting it, then definitely the preference of the ten thousand should be taken

A (Cont'd) into consideration. In so far as possible we ought to make, we ought to make it possible for you, if you wish vanilla to have vanilla, and for me, if I wish strawberry, to have strawberry, but the conflict arises where if I choose strawberry you also have to take it, or if you choose vanilla I also have to take it, and wherever it is possible to have a solution such that the preferences of both groups can be considered and can be adhered to this solution is preferable to imposing upon either group the preference of the other.

Q You see, at several points through your brief you used the word veto.

A Yes.

Q The surburban area has a veto.

A This is a legal restriction.

Q Yes, I realize that is a legal restriction in most of the American regulations.

A Yes.

Q It is not a legal restriction in the context with which you are dealing.

A I am aware of this.

Q Now, how far do you suppose it is a good idea to carry this veto right? Do you carry it to the extent of giving the veto to five percent of the total population of the area, or ten percent, or how big a group before it becomes proper to give a veto?

A It depends again on the possibilities, that if,if a possibility is presented which does not represent, which does not make it possible for the preference

A (Cont'd) of this minority, whether it be 5%, 10% or 49% to be considered, whereas such a solution is possible, then I think the veto power is not a bad thing. It forces, it forces another type of solution.

Q Would you give the veto, suppose you agree that you give it at a certain figure without being specific what the figure is, would you give it to the peole living in a given set of municipal boundaries, or would you give it to just that number of people anywhere all over the city?

A Would you give it what?

Q Say this ten thousand people who are against it are spread over the whole city, would you give them a veto in that case?

A Well, it depends again on the type of situation. If the people, the people who are in the city initially knew the rules by which the decisions would be made, if this is a majority rule, for example, they know what to expect, so I would think I would have less consideration for a minority opinion in this type of situation than I would of where you were dealing with outside people who did not necessarily expect that the majority rule would be, or the majority rule would be the deciding rule that was chosen. I think to a certain extent one ought to cater to, ought to take into consideration the fact that people made certain decisions with the expectation of certain kinds of rules being followed. When these rules are violated, when there

A (Cont'd) is a change in the way in which you play the game, this is a rather important factor, and one should change these rules as infrequently as possible.

Q Well, it depends what rules you are talking about, of course. If the people coming into the area adjacent to the city know that the practice in Canada is to expand cities.

A Yes.

Q Then you can't say it is changing a rule when you go ahead an expand, can you? If they know perfectly well that that kind of thing has been going on all over the country.

A That depends again on what is meant by expansion. If the practice is of picking up adjacent residential areas, I think it is a rather frequent one. The practice or reaching out over a rather great distance for residential area or, and industrial areas is not quite so frequent.

Q Well, it is not by any means unheard of?

A Yes, well, this I probably would not realize.

Q Well, would you agree then it would be not a case of changing the rules to go ahead and do it in this kind of context?

A I just wouldn't know. I don't really know what kind of arrangements prevail between industries located in the Strathcona district and other authorities that may have been in a position to grant concessions as either the City of Edmonton or the municipality of Strathcona. I don't really know.

Q But if the fact that no arrangements were made, and that both the industries and the residents who went in there knew that there was no commitment one way or the other.

A They were taking their own --

Q That there is no objection to it?

A There is less objection obviously than if they went in there with the expectation that the rules that prevailed would continue.

Q Now, if we can go on to another subject, at the top of page 2 you are giving the reasons for the more rapid population growth in the fringe areas. You say the second one, a belief that residential taxes would be lower in the fringe areas than in the centre of the city.

A Yes.

Q Now, I notice you used the word a belief that, in fact do they realize their beliefs so --

A No, eventually the taxes in the residential areas, the fringe areas turned out sometimes to be as high if not higher on the basis of assessed values than taxes in the city, as a comparable property in the city might pay lower taxes than the same property in the fringe area.

Q Would you say that that was the more common thing than the other?

A Oh, I really don't know. There are cases where the fringe area maintained a low level of services and maintained in turn low taxes. There are also cases where some higher income people moved into the fringe area which was initially populated by

A (Cont'd) lower income people. The higher income people wanted a higher level of services, and this was imposed upon the lower income people and the taxes became higher than otherwise would have been true in the city, so when you say common it is a little bit difficult to indicate exactly which of these is the majority situation.

Q Are you suggesting then that the high tax suburbs are primarily ones that have high class residential areas?

A The high tax --

Q I thought that was the implication of what you said. Well, if you have a mixture, if you have a mixture of residential property such as you would find in the city, the cost of providing services as a service unit is not an economic one as it might be in a small residential area, then obviously the costs are going to be higher outside the city than they would be inside. If you have a strictly high property value residential area then the cost per dollar of assessed value are going to be lower in the fringe area, although the cost per capita still may be larger, and if you have a low value residential area, then in general the cost per dollar of assessed value will be higher.

Q Yes. That is the reverse of what I thought you said a minute ago.

Now, isn't it true that the only suburbs that have been able to carry along without getting involved in very high tax rates are either the Edina

Q (Cont'd) situation which you have described, which is our Forest Hill Village, or Tuxedo, or Westmount, or a suburb which has a big industrial settlement and few residential growths, aren't there only the two situations?

A Well, it, in other words, you are saying those places where you have not had a tax problem where you used the real estate tax as primarily a source of revenue are those places where the assessed value per capita is large?

Q Yes, but the reason the assessed value per capita is large, it is, either it is a very high class residential; I don't know what the situation in the Edina example would be, perhaps the average house $25,000.00 or something like that?

A The assessed value per capita might be, say, $2500.00 or $3,000.00.

Q But the construction costs might be in the $25,000.00 cost?

A Yes, $25,000.00 cost.

Q It is only where you get that kind of a residential suburb, or a suburb where you get a big suburb with an industrial development in it that the suburbs have been able to carry on?

A Well, that is if the big industrial development has associated with low value residences.

Q Or no residences at all?

A Well, if it has no residences at all, then it has little in the way of governmental, it has little in the way of a governmental service problem. If, for

A (Cont'd) example, it lacks a general education cost, a certain protection to persons cost, these would need to be provided only during the period that people are working there, about all that would be needed to be provided are fire protection, police protection, and these quite frequently are provided by the industry themselves rather than the governmental unit, or as well as by the governmental unit.

Q Yes. Well, then, I would like to relate this to your discussion in reply to Mr. Brownlee about the need for balance in the assessment balance as between residential and industry. I take it now, then, that you would agree that the only suburb that doesn't have to worry about this, or the only city, shall we say, that doesn't have to worry about having a balance, and having a reasonable share of industry is the extremely high class residential suburb, and that is the only one that doesn't have to worry about a proper reasonable proportion between residential and industry?

A When you put it this way that the term balance loses its meaning, then what both of us are really talking about is the size of taxable capacity which is, when you use the property tax, assessed value per capita, we really don't care whether this is all residential property or whether it is all industrial property, or whether it is mixed industrial, residential property, if the figure assessed value per capita is right, then our tax burden in providing a given number of services will be in

A (Cont'd) turn about right, whatever right may be. It won't be any higher than somebody else's where there is a certain mixture of industrial, residential development, and where the mill rate is a certain figure which we consider not to be excessive.

Q Yes. Well, I take it then, you are saying that if the assessment per capital is high enough you don't have to worry. Now, under what conditions are you going to get the assessment per capita high enough?

A Yes. Well, where you have, if you have lower residences, if you have residences of low value, then obviously this has to be countered by industrial property. If you have residences of high value, it doesn't.

Q And how high does the value have to be before the thing becomes self-supporting as a residential proposition? Before it becomes self-supporting?

Q As a residential proposition?

A That depends on what kind of services you want. If you consider services in Edmonton adequate with the present mill rate, and that is apparently about a thousand dollars per capita.

Q Well on that, on a residential area alone means an area where the average residence is costing twenty to $25,000.00?

A I don't know what the relation between assessed values and market values are.

Q But the thousand dollar figure doesn't represent the assessed value of residences in Edmonton. The thousand dollars represents the assessment on residences plus

Q (Cont'd) industry, plus --

A It is the total assessment in Edmonton divided by the population. We could carve out an area from Edmonton that is strictly residential where we would find that the ratio of assessment to population was a thousand dollars.

Q Do you think that would be self-supporting?

A I am just asking a question, or I am trying to answer your question, what would the value of these houses be, what would their construction costs be? I don't know these, because I don't know what the relationship between market values and assessment values actually are, you see.

Q But it would have to be, you agree, a very high class residential area before it would come anywhere near meeting that kind of test?

A Well, the terms high and very high are a bit ambiguous. I would guess about $15,000.00 minimum.

Q Minimum. Again related --

A This is a guess subject to a look at the relation between assessed values and market values.

Q But you will agree, then that the municipalities which can support themselves without a big residential base or a big industrial base are very, very unique?

A If they are restricted to property taxes, and it is because of this that a number of cities in the United States have gone to other types of taxes.

Q Well, now, do you suppose that you are here, let me start again, you are here, brought here sponsored

Q (Cont'd) by the municipality of Strathcona, do you suppose that Strathcona would like to suggest that Edmonton should go into a sales tax or an income tax?

A I can't speak for the -- you are asking me if I were the reeve of Strathcona,or some such thing, would I support this sort of thing?

Q Yes.

A I can't speak for Mr. Adamson. Well, from his point of view, I can see no particular reason why he would not.

Q But if you accept the facts of our Canadian structure, that cities don't go in for that sort of thing other than the Province of Quebec, then we are restricted pretty much to having to dealwith the situation within the basic revenue structure of a property tax, is that right?

A The basic revenue structure, does not the basic revenue structure permit taxes on particular commodities, for example, that is, if the city wished to tax, say admissions to movies or cigarettes, it would be quite free to do so, or would it have to be given special provincial authority?

Q It would have to be special provincial authority, but the general question again is, as to the accepted traditions of this area are not to do it, and therefore approaching it within the restrictions of property taxes as a primary base, I take it you agree then, that the question of balance between industry and residential is very relevant?

A Providing that we look at certain types of residences which carry, which provide revenue assessment costs. However, let me say here, apparently Edmonton is in a somewhat unique situation in that it doesn't have this opportunity because of its ownership of the two utilities, namely the Telephones and the Power System to do something that other cities cannot do, that is to broaden its tax base, and to rely somewhat less on property tax than upon other type of taxes. I take it this is somewhat unique, at least in this Province.

Q Well, I think we will maybe not develop that.

A In other words, Edmonton is really not hemmed in quite as much as we think, because it has a way of taxing, although it is not called that, through the telephone system and the light system that would not be avaliable to a typical city which did not have the opportunity of sales taxes, income taxes, and had to rely exclusively upon a real estate tax base.

Q Well, I think we will get in pretty deep if we develop that very far, we might just drop it, and go off in a different direction.

I noticed you made quite a bit of the fact that the assessment per capita in Edmonton had kept up roughly in line with the, I think you said the adjusted value of the dollar?

A If, I said that what I called the real value, the real assessment per capita had not changed substantially since the development of these industrial areas outside the city.

Q Do you know to what extent that is explained purely in terms of a new assessment base?

A No, I don't. I just looked only at the assessment and population and price levels, and I noticed that the real tax base, the real estate tax base per capita seemed to have remained approximately constant in spite of the claim that residential growth had been much more substantial proportionately than industrial growth, and this is --

Q You agree then that that comparison is of practically no significance if the result is achieved because the assessment base has been changed there from 38 up to a 44 cost level?

A You mean, if we assess now, if you had assessed, if you had assessed in 1939, we will say, in the same tax that you assessed now, the per capita assessment would be not $990.00, or $1,000.00, but some figure that is different?

Q It would be considerably lower, yes.

A It would be considerably lower?

Q Yes, if that is the situation, then you would agree that your comparisons have got --

A No, this makes, this makes, this turns it around, does it not? If you are saying, let's look at what assessments would have been in 1939 if Edmonton had assessed then the way it assessed now, and you tell me this figure turns out to be lower than $1,000.00 at present prices?

Q No, I am sorry.

A That means then that the assessments are really more favourable.

Q No, I am sorry, it is the reverse of that. If the present assessment now was made on the same basis

Q (Cont'd) that was used in 1939, the present assessment would be lower.

A The present assessment would be --

Q Would have been lower than it now is.

A Yes.

Q And if that situation existed --

A Well, it depends how important this adjustment is.

Q But I think you agree, though, that if there is that kind of a change involved, there is no significance to be attached to the fact --

A There is certainly less significance if it makes, if it would make the figure, say $800.00, if we could find how things would be on the basis of the old assessment, then we could determine how much of this is due to this kind of imbalance of which one initially spoke.

Q Now, at the top of page three you list among the financial problems the increased cost to the central city for maintaining services provided to persons in the whole area?

A Yes.

Q Do you think it is good administration to have that kind of a setup?

A Which kind of a setup?

Q On which the residents of one part of the area are providing a service and paying for it and having the rest of the area use it?

A Well, in general where this can be avoided it should be. However, I understand that this is not the problem here. This kind of situation grows up where there is

A (Cont'd) a large suburban development, the people live in the suburbs and work in the city, they come every day to the city using the city's streets, parking facilities, police protection, sanitary inspection, etc.

Q You say you understand that is not the situation here?

A No, I say the kind of situation of which I am speaking arises where the dormitories so to speak is not; a term which is apparently coined for this situation only, the dormitory is not the city, but it is the suburb. The industry is located in the city and the people migrate daily to the city to work. They use the city's streets, they use the city's sanitary inspection facilities when theyeat in a restaurant, or have a beer in the bar, and they use the city's traffic, stop-lights, police force, etc. and have paid nothing for it. The income tax on income earned in the city has been a way whereby the city can capture from these people that live outside and use these services a portion of the revenues which ought to be required from them to pay for these services.

Q That is through, you are suggesting that through these taxes other than property taxes?

A Yes, that's correct.

Q But I understood you to say that this didn't exist in this area, that Edmonton was not providing downtown facilities for the whole community.

A It is providing downtown facilities for the whole community, but it is my understanding that the net migration is not from outside the area to the city, but from inside the area to the outside, as between Strathcona and Edmonton explicitly, that your problem is that people live inside the city and work in Strathcona, not that they live in Strathcona and work in the city. As residents of the city they are entitled to the services that go to persons and they are paying for these.

Q You are talking about the Strathcona situation. I was trying to ask you about the area as a whole.

A Oh, about the area as a whole; if there is a net in-migration daily, then there ought to be a way, the city should employ some techniques whereby those services that are provided to persons are paid for by, to a certain extent by persons who live outside the area.

Q Well, you say technique, wouldn't the most reasonable technique in view of our situation here be, wouldn't the most reasonable technique be to establish one municipal council over the whole area and to have a uniform set of taxes over the whole area?

A How far are you willing to extend this area? It is not only people who live in Beverly or Jasper Place, but also farmers who live outside even the area proposed annexation who use these, some of these services to the same extent. If one looked at this, in looking at this problem alone, those people who live outside and work inside, then annexation of Beverly and Jasper Place alone probably are the things that

A (Cont'd) you would consider without the municipal area of Strathcona. If you wanted to solve this particular problem, and you wanted to solve it by annexation, forgetting about the financial aspect, then what you would propose to be consistent,would be annexation of Beverly and Jasper Place. There would be another way, there might be other ways of solving it by taxes on persons.

Q Are you suggesting that the city is not providing any services to --

A No, that is not --

Q -- to the industrial plants?

A That I don't think can be denied. The city provides, as I indicated, services to the extent that there is some net migration of people from the city to the industrial areas.

Q Some net migration?

A Yes.

Q Are you --

A Small, and that the cost of providing services to these people who live inside the city is probably higher, although I would have to look at their assessed values before I could make this statement definitely. It is probably somewhat higher than the revenues which they bring in, but this difference is rather small.

Q Are you familiar with any studies that have been done as to how many residents are associated with a given size of an industry? Take a city that is pretty much isolated around one industry, how many

Q (Cont'd) residents in the area would come in relative to the number who would be employed directly in the plant?

A You mean the number associated with providing other types of services, etc.?

Q Yes.

A I have seen such studies, yes.

Q Would it surprise you to say that possibly for every one in the plant there might be ten in the home community?

A No, it wouldn't be surprising.

Q So, if there are two thousand in the plant, that might mean there are twenty thousand in the community that are based on those plants?

A That a growth of two thousand, a growth of industry employing two thousand people outside the city?

Q Represents twenty thousand people in the city?

A Might have provided indirectly opportunities for employment of twenty thousand people inside the city; no, this would not be surprising.

Q So, you would be inclined to agree that the problem we are dealing with here is not in terms of providing municipal services for a couple of thousand people, it is providing municipal services for twenty or twenty-five thousand people?

A These people would have to be provided for whether the industry were located in Strathcona or whether it were plunked right in the middle of Edmonton, exactly the same problem would be there.

Q But would you agree that that being the situation, it is more reasonable that the municipal taxes should

Q (Cont'd) go to the same municipality that is providing the services?

A No, as far as the location problem is concerned, where the industry is located, it is only the employees of that particular plant that we are concerned about, because if we agree that it would make no difference as far as these other twenty thousand are concerned where the industry is located, the associated industries, that is the commercial enterprises that would grow up to provide employment, this problem would be presented anyway, then you can't charge all of these twenty thousand people their increase to Strathcona. It makes no difference where this portion of industry is located.

Q Well, it makes no difference in what respect? It certainly makes a difference financially to the municipality?

A It makes a difference -- no, it doesn't make a difference financially to the municipality either. It makes a difference only in so far as the municipality does not have the tax base of the primary industry located outside the city. It would have the tax base that were located inside the city.

Q If that is the situation it doesn't make a great difference where the boundary falls?

A It makes no difference as far as charging is concerned. This is, I think, the problem, a different kind of a problem. This is an accounting, a kind of an accounting problem where we are trying to figure out how much of the problem, the financial problem associated with the city is in turn depend-

A (Cont'd) ant upon the industrial development in Strathcona. This question can be answered, can be approached in a number of different ways. Assume that we move the industrial development into the city, then we would move a certain number of people. As far as the associated development is concerned, there would be no movement whatsoever, in that the same stores now located in Edmonton would still be located here. We would also move a certain portion of the tax base, so in a sense we would, with the real estate tax, solve the tax problem, but, simply because of this you cannot say that the entire cost of the twenty thousand additional people located in Edmonton are imposed by the Strathcona development.

Q But looking at it from the point of view of an area as a whole, you are agreeing that this industrial development employing twenty thousand people calls for municipal services for twenty to twenty-five thousand people?

A Oh, yes.

Q And I take it you are also agreeing that the problem is to work out a technique for a proper allocation of the revenue from that industry to the authority that is providing the services, is that right?

A The question is, how different would the financial problem of Edmonton be if the Strathcona development didn't exist, as I see it. Would the city's financial problem be any different without the development in Strathcona that it is given the development, and even given the fact that the city

A (Cont'd) is restricted to a property tax; that is, let's ignore some other important considerations, such as what has happened to incomes of the people who live inside the city, because as yet the city is not able to capture through taxation very much of this increased income which comes about only in so far as assessed values of such things as residences, and so forth increases, right?

Q Would you agree that --

A Now --

Q That probably the simplest --

MR. BROWNLEE: He wasn't finished.

MR. MOFFAT: Oh, I thought you were.

A Well, I lost at least a portion of the trend of the question.

I was saying we should probably rule out a lot of things which people consider to be of value so far as the Strathcona development is concerned, particularly the increased incomes from the area to the people of Edmonton, because so far as the city's financial problem is concerned it is not able to capture very much of this, since real estate values, assessed values per capita aren't going to go up until people consider this income sufficiently stable to build much larger houses, etc., but as far as I can see it, the city's financial problem measured in terms of real assessed values per capita would not be substantially different had the Strathcona area not developed, and had the city been one

A (Cont'd) hundred ten thousand people instead of two hundred thousand people, so that I don't think it is at all fair to charge the entire, or even a large portion of the financial problem of Edmonton to the Strathcona development.

Q Well, you see, we are into this difficulty, though, of approaching this thing in terms of the municipal corporation rather than in terms of the area as a whole. Now, I am watching the time there, Mr. Chairman, but there is one thought I would like to put to him just before we break off at this time.

Do you suppose that one technique would be to leave everything exactly as it is except one change, the cheque for the taxes from those plants would go to the city rather than to the --

A Oh, if --

Q -- the municipality, if everything else was left alone except that one change?

A Are you asking me, would this solve Edmonton's financial problem, or would it help to solve it?

Q Yes.

A The answer is obviously yes.

Q That is the question I wanted.

A But this also would be solved if I were to give to the City of Edmonton $500,000.00 per year.

THE CHAIRMAN: Thank you, sir. You are not suggesting you are going to do that?

A I haven't been asked yet.

(Laughter)

THE CHAIRMAN: We will adjourn until two.

(This sitting was adjourned until 2:00 p.m. the same date.)

PROCEEDINGS AT 2 P.M.

DOCTOR O.H. BROWNLEE recalled to the stand on his former oath testified as follows:

MR. MOFFAT EXAMINES THE WITNESS:

Q Doctor Brownlee, when we were just ready to adjourn I think we had come to the place where we agreed that the question of a balance of assessment between residential and industrial was something that had to be taken into consideration in almost every situation of this sort but that taking an industrial area into this city would not solve the problems of the city but might help in that direction. Is that your understanding of the point where we had arrived?

A I think we had agreed that if annexation, for example, is to take place and it is to be without cost to the present residents of the city the assessed value per capita should be no lower than that which now exists in the city.

Q And if that involved --

A That is one --

Q --a big industrial area --

A -- one way --

Q -- it would help.

A We would have one way to go, you take low grade or value residential property of achieving an adequate assessment per capita would be, at the same time, to take in an industrial area which has a high assessment per capita.

Q So the two would balance each other off, more or less?

A Well, yes .

Q Yes, if we drop that subject and go on to the next subject, on page 5 of your brief, about the middle of the page, a little below the middle of the page you say that that one solution to the fringe problem might consist of the provision of local services by the central city and this solution might be obtained by incorporation of the fringe area if there are no major economies of scale -- Now, I have left out some of the words but what I wanted toget to was this question of "economies of scale"?

A This is from the standpoint of the residents of the fringe area rather than from the standpoint of the residents of the city as you will note, because this paragraph relates to a solution satisfactory to the people who live on the outside.

Q Yes, now, there are two or three places in the brief where you use this idea of economy of scale. I think it would be well if we would have you elaborate or clarify just a little bit just what the concept is there?

A Well, we see there are neither economies or dis-economies of scale if, when we increase by the same proportion all the ingredients that are required to produce a service, and we turn out, we turn out an increase in the same proportion of service that is being provided; for example, if it takes two cars, two policemen to provide a given amount of service to, we will say, ten thousand people they are neither economies nor diseconomies of scale if when you could provide four cars and four policemen we may service twenty

A (Cont.) thousand people.

Q Could we phrase it this way that there are economies of scale if the cost per capita gets smaller as the area sort of gets a little bigger?

A Yes.

Q In other words as the scale increases you get economies as the cost per capita goes down?

A Yes.

Q Now, of the typical municipal services which would be provided for a city of two hundred thousand, two hundred and twenty five thousand, approximately the size of Edmonton, if that has to be expanded for another fifty thousand people do you suppose it is likely that there would be economies of scale on most of the services involved?

A That the cost per capita for the entire population would go down?

Q Yes.

A I think it is, I really don't know, I would guess that there would probably, with respect to most of them be neither decreases or increases on the capita cost if you have approximately constant returns on scale.

Q In other words your suggestion is that the cost per capita would be about the same?

A Should remain approximately the same --

Q -- be about fifty thousand --

A Should be a way of dividing up the services such that cost per capita remain approximately the same.

Q Do you suppose that the costs would go up more rapidly if some fragmented group started to provide services

Q (Cont.) and to provide new headquarters and a new organization and a new structure and a completely new service rather than just adding it to the existing one?

A That depends on the type of service, where the service unit, optimum size service unit is large obviously this would be the case --

Q Well, I was suggesting --

A And if one had put up a fire house for three thousand people when one fire hall would service ten thousand people --

Q I am suggesting a concrete case of a city like this, around two hundred thousand people, it is going to expand for another fifty one thousand, so, isn't it likely that it would be cheaper to expand it by adding on to the existing service than starting to create a new one?

A Yes, I would guess that is probably true. However, it is always, it is not required in annexation, for example is not required in order to bring about whatever economies might result from this, your fringe areas could provide services, for example from the city, water, sewer service being the most typical cases, they also provide police protection, fire protection and the like.

Q Do you know whether those arrangements have worked out satisfactorily?

A From the standpoint, many of them have worked out satisfactorily from the standpoint of both city and fringe areas, they prefer to maintain their autonomy with respect to taxing arrangements and to buy services directly from the city rather than to be annexed to the

A (Cont.) city or to set up their own service producing agencies and similarly the city was able to sell services at something about cost so it was mutually satisfactory.

Q Would you generalize it to say whether you think it has proven more satisfactory to do it that way or to do it by putting everything in under one council in most cases?

A Well, most satisfactory from what point of view?

Q From the point of view of getting good service for the community, not from the point of view of the treasuries of the municipalities necessarily but from the point of view of the community as a whole.

A I think it would be a matter of indifference, these physical facilities, resources required and so forth should be approximately the same regardless of arrangement.

Q Are you familiar with a number of cities where these inter change arrangements have broken down and they have led to inquiries such as the one we have here?

A Yes, in some cases where the city has charged rates, we will say 75 percent or 100 percent, to the outsider above the rates they were charging to the residents of the city and where pressure was actually brought by the fringe area residents to be annexed to the city in order that they could get these services at a lower cost.

Q Well, at page 10 of your brief you say 402 cities annexed territory in the United States in 1952. Now, do you think we would be fair in saying that

Q (Cont.) represents four hundred and two cities that found they couldn't get along by mutual agreement and had to go into something else?

A No, these are all incorporated areas, some of them are less than one fourth of a mile in area, some of the annexations are less than one quarter of a square mile in area. I believe there were around 90 annexations, perhaps 100 that exceeded one fourth of a mile in area during the year. I can give you the figure for 1951, it was 82.

Q Eighty two, well, do you suppose that means then there were eighty two cases in that year --

A No.

Q -- where they decided mutual arrangements were not the answer and the better way was to go at it with over-all co-ordination?

A The answer would be no, the number would be smaller than it is, considerably.

Q But you still are prepared to agree that the system of agreement does breakdown in a substantial number of cases?

A It has broken down in a number of cases, what percentage of cases I don't know.

Q And the number of situations where it is breaking down and leading to an over-all reorganization is increasing in numbers?

A No, they, I would not say so, there are a number of new agreements of this variety that are being consistantly made each year, perhaps the total number of such agreements now in existence exceeded that number that existed, say in 1947.

Q Now, this next section of your brief then lists the four solutions, annexation, the use of taxes on persons and then limited annexation and special purpose districts. Now, I take it from your comment at the end that you think that the limited annexation, as you define it, and special purpose districts doesn't really deal with the problem. Is that what you mean in this last sentence.

A No, as I have indicated in the brief I have tried to divide the, tried to divide all the problems into two classes, one such class of problem we might call planning or development problems. They are problems that arise when types of development in fringe areas locate in a way such that they would not be permitted by city ordinance if they were part of the city.

Special purpose districts and limited annexation are ways of solving this as is complete annexation, but the other type of problem is purely a financial one where the city does not have or does not believe it has enough revenue, cannot obtain enough revenue to finance the services that it would like to provide to its citizens. There is also a special, there are also, have been special solutions to this problem. Sometimes annexation solves the financial problems but quite frequently it does not, it has solved the developmental or planning problem but has made the financial problem more acute. This is particularly true where the areas to be annexed have lower tax potentials then the initial city so that if one were looking only at the financial aspect of the problem they could be solved without annexation, if one were looking only at the problem, developmental or planning aspect of the problem they also could be solved

A (Cont.) without annexation and solution of one part of the problem doesn't make solution of the other part of the problem any more complex.

I think it is, in a way an advantage to view these two problems separately and look at what, at how much was going, how each of them could be solved, because, frequently with annexation by solving the planning problem you make the solution of the financial problem more difficult.

Q Didn't you state, I think you said that you make the financial problem more difficult if the area that is being annexed --

A Yes.

Q -- does not have a tax base that will support itself?

A Yes, that is right.

Q Now, take a hypothetical situation where the area to be annexed, taking it as a whole, has about the same tax base per capita with the city that is, so you are not magnifying your financial problem.

A Providing the cost of existing services to additional residents of outlying areas is no greater than the capital cost of providing service to the present city.

Q Yes.

A Then the financial problem is left essentially unchanged.

Q I am suggesting to you then that you consider the situation where the financial problem is neither made worse nor better --

A Yes.

Q --particularly by the annexation where you have got your planning problems, where you have got in addition the problem of providing space for a very rapidly growing

Q (Cont.) population which is going to over flow the existing city boundaries?

A I classify this as part of the planning problem.

Q Now, in that case I take it you have no theoretical objection to the suggestion that annexation over all of the whole area is most desirable?

A Well, looking at it, purely from the economic standpoint, without consulting the preference of the people to be annexed the answer would be yes. You may, the per capita costs, you leave the per capita costs essentially unchanged, you provide the people in the outlying areas with services at the same cost as they would be provided to the people in the cities, the difficulty arises when the people don't want the services.

Q Now, going on down to the bottom of page 7, "in many instances the only acceptable solution to the fringe area problem has been to do nothing.", acceptable to whom?

A Within the legal framework this is the only, this was the only solution, if one wishes to call it that, that could be obtained, the city may have wished to annex the area but the area to be annexed did not vote in favor of it or vice versa the area to be annexed may have wished an annexation but the city would not accept it so things stayed as they were.

Q In other words some small group had veto over any possible solution and the result was nothing happened?

A Not necessarily, sometimes it was the city that refused to annex the outlying area.

Q That is true, a small group, relative though, I am thinking in terms that we were discussing earlier, a small group within the city might influence city opinion so the city became the force that was exercising the veto?

A Yes, by the same token a small group within the city might have --

Q Yes?

A -- exercised city opinion to be in favor. This is when the, which you call the majority actually is the minority --

Q Yes, but the thing you are talking about there is not acceptable in that sense it might be quite acceptable in the sense of economy and good planning and good financing, it might have given a better organization, better service for a community.

A But look at the way these terms are viewed, viewed by the city planner, I presume you would consider this to have been better.

Q Yes, well, now in these situations where some group opposes therefore was nothing happened could you generalized the situation, does it usually get worse when they left it that way?

A Well, in many instances the outlying area became perforated itself with consequent less efficient provision of services, in other instances there was no incorporation and the fringe area never developed an adequate or a high class, at least residential or industrial. Then, in other instances other solutions was satisfactory, and a satellite city on the fringe

A (Cont.) actually grew up which was providing services efficiently which was essentially a small unit, not unlike the city itself.

Q Would you say that the usual result of it was that the situation got worse?

A I think if the situation really deteriorated then the resistance to annexation broke down and eventually annexation took place.

Q You come back to annexation again?

A Yes.

Q That is what I was going to ask you next. When this action is taken and the decision is to do nothing is it not true that in general that is only a temporary thing and eventually the thing has to be done anyway.

A Eventually something is done, it is not always annexation and frequently it is separate incorporations.

Q Now, I am not sure what you mean by separate incorporation because aren't all these areas in fact incorporated in some form or another?

A Our set up, I think, is somewhat different than yours. We have what is called a city which is granted a charter --

Q Yes.

A -- by the state government, we have towns which are granted charters by the county unit, the city has legal right to do certain things that a county or rather the township for example may not do but by separate incorporation I mean the area applies to the state for a charter which gives it the right to engage in

A (Cont.) activities that are typically engaged in by cities.

Q Well, then what you mean is --

A In other words a city is formed.

Q -- the rural unit, which is our municipal district, breaks itself in half and you have a separate incorporation close to the city leaving the rural part of the township to carry along as best it can?

A Yes, yes, that is correct.

Q Then, in that terms then I take it that what you say is that you don't have an overall amalgamation with the city you usually have a breakup within the rural unit and trouble develops from there instead of in the city.

A If there is further development and there is not annexation then there will be separate incorporation .

Q Yes, now at the bottom of page 8 and then continuing up to the top of page 9 you discuss the fact that in most cases the central city has opposed these annexation proceedings unless they could see that they were going to get financial benefit out of it?

A They state, they make this as a matter of, this is a statement of a matter of policy for good annexation, we'll say that we should bring in areas in a fashion such that we can extend services to them rapidly and two we should do it in a way such that there will not be costs imposed upon the existing areas of the city, that is, we should be permitted to develop inside the city in the same fashion as if the new area did not exist.

Q Would you say that is a rather short range point of view?

A Is that a rather short range point of view?

No, no, they are looking at it in the long run, in the long run, they want the tax base per capita of the new area to be approximately the same as that of the old so that it doesn't cost the existing city anything. They also want to be in the position to provide benefits to the area to be annexed hence the provision that services should be extended rapidly.

Q But you don't think that that is the short run point of view which is something that should be deplored and that we should try to look at the thing in the broader point of view of what is good for the whole area rather than strictly for the central city.

A This is the way of looking at it, I think, in terms of what is good for the whole area providing services rapidly to the new area and making the new area better off.

Q Who provides them if you have a situation when the central city does not want to do it?

A Pardon?

Q If you are in a situation where the central city refuses to do it how do they get provided?

A Oh, in that case either by some higher, still higher authority, those services are provided at a higher cost in itself or there are no services. Well, in general they are provided, in our case by the county unit, for example if a rural area is not taken in then schools are provided by the local school districts, it is not a portion, not necessarily a portion of the city, roads and certain policing, protective services, protection

A (Cont.) services are provided by the county.

Q I was going to read you a little extract from the Report of the Ontario Board which dealt with this same problem in relation to Toronto. They discussed this very point and they quote, a policy statement by the City of Toronto, central city which takes just this position that they refused to expand their boundaries unless they could see a clear financial advantage and then having quoted that, the Board's comment is --

MR. ROBISON: What page, Mr. Moffat?

MR. MOFFAT: Page 13.

"Before the lengthy hearings of the present application ended it became evident to the Board that many of the existing problems of the city and the suburbs alike must be attributed to the policy which the city followed."

Would you agree then that that sort of point of view is something that contributes very greatly to problems both in the city and in the suburbs.

A Well, the cities themselves I think recognize this, you will note, even from the few cases that I have summarized for you a substantial number of annexations took place even though it was believed that there would be a cost to the city, a very substantial number of annexations took place which meant that the city was taking into consideration, if you wished to look at it magnanimously, the welfare of the outlying areas but the city really believed that from what you might call the planning point of view, because of the advantages that would accrue from planning, the ability to plan better they would be willing to sacrifice something in the way of solution to a potential planning problem and that would mean, so far as Edmonton is concerned,

A (Cont.) if you do believe that planning was really worth something, the opportunity to plan was really worth something they would consider annexing Beverly and Jasper Place without looking at the Strathcona industrial development, they wouldn't be worrying about that.

Q Now, going on again to the bottom of page 10 and the top of page 11 you talk about Metropolitan areas and then you go on to the bottom of page 10

"City Officials generally recognize that areas should not be annexed unless a reasonable complement of services can be extended without undue delay."

Secondly,

"New areas should not be annexed if their development will take place at the expense of the older areas."

Now, we have agreed that is a reasonably shortsighted point of view and that some cities are going beyond that and you have expressed the opinion that you think it would be advisable for the central city to go beyond that and make some responsibility in respect to the suburbs, even though it cost them some money.

A That depends in turn on what you might call the opportunity to plan is worth to the city, what it considered the opportunity to plan to be worth to the city. For example a city might consider annexing property on the outside that was relatively low value if it meant that the value of property inside the city would go up as a result of the improved zoning etcetera that may take place on the

A (Cont.) outside. Similarly it might expect that if it extended these services, the services that were available in the city to the outlying areas where the assessed value per capita is now low that additional improved residential, this higher value residential development and industrial development would take place which in the long run would bring the assessed value per capita in the annexed area up to those which existed in the city in which case, in the long run, there is no cost. What the city is paying for is the short run development in this area as well as preventing the loss of its own tax base through deterioration of property values in the city that are near the, that are near the fringe development.

Q Yes, well, your brief states that the majority of the officials, city officials interviewed on this particular survey --

A Yes.

Q -- took that point of view and then went on to say that the ones who opposed annexation for those reasons then suggested extended powers to the county as the solution as an alternative to annexation. Now, I would like to develop, just for a few minutes, what is involved in extended powers to the county, that is in the American setup.

A This would be planning, for example planning powers, zoning powers and also taxing powers with respect to such services as schools, the leveling, so to speak, of school services as between the city and the rural area.

Q What about main roads?

A Well, that, I think, depends primarily on density of population and generally cities would favor this because if you look at the revenues that are returned, highway revenues in the States that are returned to the cities in proportion to the amount of highway use that takes place in the cities the cities are getting less than their proportional share so the city would certainly be in favor of extended highway powers to the county.

Q What about such things as sewer and water facilities.

A That depends, I think, upon circumstances, whether or not it is really economic to provide sewer and water services to outlying areas. There would possibly be no opposition to, say a county wide sewage disposal Code which would still not bring in certain areas to the sewer system unless the density of population was adequate.

Q Yes, but I was thinking in terms of an area like our Jasper Place situation here which is requiring sewers :--

A Yes.

Q -- and is going to have to have sewer but can't finance it themselves very well. Would that sort of situation be taken over by the county setup?

A If sewage powers were extended to the county then the City of Edmonton, if a county existed here, would be helping to finance the construction of sewage facilities in this particular place.

Q And the county setup in that arrangement would have power to tax over the whole thing including the central area?

A Yes, it may not have the power to tax with respect to all functions, tax those services which are provided, the county taxes with respect to those services that are

A (Cont.) provided by the county.

Q The county government would be responsible to the electorate over the city and suburbs?

A Yes, the population --

Q -- as well --

A The county population as a whole --

Q Isn't that in fact amalgamation you have there?

A Yes, it is a kind of a limited amalgamation, however, because not all powers of the local government or city are surrendered to the higher authority.

Q But in fact it is doing its job in dealing with any substantial amount of suburban population, it is amalgamation with very minor things left for the local body.

A They may be minor or major again depending on the preference of the population, if the people in the outlying areas do not wish good streets, for example then the street planning facilities would not be turned over to the county but would be a separate authority with respect to streets, a separate, both with respect to financing and the expenditure of funds.

Q Yes, this then, as I get it now, I wasn't familiar with it till you developed it, this is really what we have been calling the Toronto scheme?

A Well, not that these things, not that sort of setup is common at all in the U.S. when they propose the county takes over the functions, it is analagous to a metropolitan area scheme such as Toronto, exactly.

Q Do you consider that kind of scheme with a complicated government setup like that, that it is necessary for a city of two or three hundred thousand.

A Well, depends on what --

Q Is that not something that is appropriate for a very large city?

A Depends partially on what you mean by complicated with respect to governmental arrangements, no more complicated then the ward system for a city.

Q Well, we can discuss that one for some time but we don't even have the ward system here.

A Well, you have --

Q It is a very simple setup at the moment.

A But you do have certain functions that are taken over by the province as a whole and certain functions that are performed, say by the city.

Q Yes.

A Certain functions that are federal in nature. It is a kind of --

Q You don't have a fourth level of government.

A This kind of layering is not too difficult, it is not too different from the sort of layering that you get, the sort of layers that you get from metropolitan government except that you have only two.

Q Would you agree where you have a structure based on a provincial legislature with full authority and then certain authority delegated to the municipalities that is is much better, preferable to keep that rather than to put on top of it another layer of which the public is never sure of who is in charge of what and never sure who they are voting for and never sure who is responsible for the taxes, that you should avoid that situation if at all possible.

A It is not necessary to have construction though such that people are never sure who is responsible for what, it is possible to have an arrangement such that the lines of authority are clear.

Q Do you think, in practice, that the average voter has any idea who is responsible for what in that setup

A I would guess that in Toronto that within two or three years the average voter will be relatively clear as to who is responsible for what. We haven't yet had enough experience with the Toronto kind of setup to really know, perhaps now the average voter is not responsible, doesn't have knowledge of who is responsible for what.

Q Well, would you agree to take it in general principles, if possible that kind of confusion should be avoided unless there is a good case for doing something else.

A Yes, a good case for doing something else where there is decided or there might be rather decided divergence of preference between different members of the population where these differences of preference, the people with different preferences are purely segregated geographically.

Q Would you add one more thing, where people with differences of opinion are a fairly large part of the total number of the people in the area, would you go that far?

A You mean where one half of the population differs in preference --

Q No, where it is no more than five percent, we'll say?

A I don't know whether we have to draw the line at five percent, I mean if it is possible to satisfy the preference of five percent and ninety five percent if, if these differences can, some arrangement, if an arrange-

A (Cont.) ment can be worked out such as that this is possible, this arrangement I think should be, should actually be carried forward, there is no virtue in dictatorship by majority any more than there is in dictatorship by minority.

MR. ROBISON: You believe in compromise, Doctor Brownlee.

A It is not necessarily compromise, I think, compromise I think generally refers to the situation where both parties have to give something, either set of preference is really satisfied but sometimes arrangements can be worked out where there is no give, that you can have your cake and I can eat mine, it is not , not always a typical case but sometimes such arrangements are possible and are frequently worked out.

MR. DAVIES: That doesn't go, Doctor, to the extent of permitting you to have your cake and eat it though, does it, you don't go quite that far?

A Possibly not.

Q MR. MOFFAT: Now, I want to ask you something about a question that Mr. Brownlee asked you, I only have a very rough note here of what you said and so I may be asking you to comment on something that you didn't actually say what I thought you said. He asked you about the idea of doing something to assist in the encouraging of industry into this area and you commented in connection with tax levels and transportation costs and so on and I think you made the suggestion that it was very important, in view of the high transportation costs out of this area, that municipal taxes should be

Q (Cont.) kept as low as possible. I think something to that effect, you said, now is that --

A No, this is probably not a correct description, I hope, at least that I didn't say it. The question was, do you think taxes have any effect upon industrial development, upon industrial location and my answer to this was that if you were to ask businessmen what factors affected where they were going to locate they would list a number of things such as the quality and cost of the labor supply, the quality and cost of water supply, transportation cost, power cost, a fairly substantial list and included in this list would be taxes. They probably, they might be able to order these things, that is to say that water is more important than labor, labor is more important than taxes and so on but they probably would not be able to say, well, labor is three times as important as taxes, or some such thing. It is rather infrequent that one gets an opportunity to find all conditions except taxes the same so that we can really measure how important tax collections are. I then I cited examples of tax concessions that had been made in the United States which did seem to have some impact upon industrial developments. The State of South Carolina, I think I mentioned has made a number of rather important tax concessions, the state and local government in South Carolina have made a number of rather important tax concessions and industrial growth in South Carolina has been rather substantial. It is not legitimate just to look at these two columns of figures and say one is causing the other because other factors I mentioned--

Q Might be other things that were causing the textile industry to move south?

A There were, well, in fact there were a number of other things but taxes was, I think everyone agrees have been a factor, tax concessions have been a factor in motivating this movement of industry, particularly from New England to South Carolina, now, as I said, an illustration, if I may dwell a bit on transportation - taxing as an illustration of transportation costs and tax costs, are somewhat the same kind of thing, they are both costs of doing business, providing goods and services to the people who wish to buy them and the people in this area are well aware of the fact that high transportation costs, or believe, at least, that high transportation costs have impeded industrial development and insofar as taxes and transportation costs are the same order of thing, the same kind of things high taxes by the same token would impede industrial development.

Q Well, then I take it you are not stating an opinion in favor of or against the proposition that it is important to keep municipal taxes down in order to encourage industry into this area you were just reciting the fact that that is what happened, not expressing an opinion?

A I have said I really don't know how important taxes have been in the location of industry here and I gave you, however, one example of what the analogue between an increase in taxes and an increase in labor costs would be, that would be, what is it, the C.I.L. plant --

Q The Canadian Chemical.

A Oh, Canadian Chemical, which is employing about six hundred workers, would in the proposed annexation have a tax bill that is approximately $180,000.00 per year more than its current tax bill. This would affect it in the same way as an increase of 15 cents per hour, on the hour, in the wage rates that it paid to its workers.

Q Well, I will come back to the one hundred and eighty thousand in a minute, I had that down here but before we come to that, you didn't express an opinion that municipal taxes should be kept down in order to bring industry into the area, certainly a lot of other people have expressed it?

A Yes.

Q What I wanted to ask you is this, if it is important to the development of this area to keep municipal taxes down is it not just as important to keep them down in the city as it is in one particular corner of the suburbs.

A You mean if you want industry to locate, well, it is quite possible that you could have industry, you could have zero taxes for example in a particular place in the area that encourages, encourages industrial development, which in a sense would benefit the area as a whole, it is not the usual practice at present, business would not like to have competition of a variety arising against them because of favorable tax treatment.

Q That was the point I was wanting to get to, your existing industry in the area would, in fact, be subsidizing an adjoining area?

A That is correct.

Q If that situation developed?

A That is correct.

Q Now, going on to this one hundred and eighty thousand figure. I don't think that that has ever been identified as to a source, as to whether or not that is anything approximating what would actually happen, I wonder if you could give us anything on that or whether that is a figure purely picked out of the air. I am afraid of that figure getting bandied around unless there is some basis for it, it may do us some harm in the impression it will create in the eastern newspapers to begin with.

MR. BROWNLEE: Mr. Chairman, I wonder if we might just say, for the moment at least, that that is simply an assumption, it is a figure that has been given to Doctor Brownlee as an illustration.

A Let us make, my statement should be of the following kind, if their taxes went up by one hundred and eighty thousand dollars this would be equivalent to a, approximately a 15 cents per hour increase in wage rates.

Q MR. MOFFAT: But there is no suggestion that --

A No.

Q -- by extending the boundary it would be equivalent to a 15 cents an hour increase in wages, that is the thing I wanted to be sure we were clear on.

A No.

Q Now, you referred to the idea that grants might be made from one municipality to another?

A Yes.

Q And you gave as an illustration the defence plants in the American --

A This is not an illustration of grants from one municipality to another but of grants from one authority, from a higher authority to a lower authority.

Q Yes, as Commissioner Robison clarified at the time.

A Yes.

Q Then I think you went on from there to say you didn't know of any case where there were grants from two parallel governmental agencies, one to the other.

A Unrestricted grants that was, I know of many instances where grants, for example for school purposes have been made and transportation --

Q Were there, not grants from two parallel organizations though, two --

A From one school, from one school district for example to another but then the size of the grant being conditional upon the number of school children from one school district being --

Q It is payment for services really, not a grant, payment for services?

A It is not unrestricted, it is not unrestricted payment.

Q I think you said that you didn't know of any cases where it had been done. Now, I wanted to ask you in general terms.

A Well --

Q Do you think it would be a good idea to do it?

A Do I think it would be a good idea?

Q Yes.

A In my opinion I think it would be, yes.

Q Do you think it would work out in a practical manner?

A That is, if you would elaborate on what you mean by a practical manner --

Q Would it not lead to bad feeling or criticism between one and the other, this grant is costing us too much, the interference and name calling if you like from one to the other?

A No, I don't see why this should arise necessarily as , if the grant is in some sense to be determined by the cost that that one area is imposing upon the other and the cost can be clearly identified and there is obviously an agreed formula for determining them then I see no particular reason why there should be ill feeling.

Q Do you think there is a possibility of meeting all those ifs?

A I think it would be preferable actually to annexation from the standpoint from the amount of ill feeling that is likely to be created.

Q We had the suggestion here that this was the rich brother making a handout to his poor brother when this kind of idea was proposed a while ago?

A Yes --

Q And do you think that kind of attitude would prevail in a community that was going to try this kind of --

A Already we have a certain amount of rich brother making grants to his poor brother, precedents of this variety existed throughout the world, or at least throughout the U.S. in terms of so called equalization grants.

Q From the upper level of government to the lower, is that on a parallel basis --

A But where the upper level of government obviously obtains its tax, tax receipts from the residents of all the lower levels of government --

Q Yes, we could go at great length into that but that--

A Yes, that is from the upper level to a lower level.

Q But I think you said you didn't know of any cases that is comparable.

A It is simply this, instead of your taking out of my left pocket and putting it into your right, Hu takes it out of my left pocket and puts it into his right and then you take it out of his and put it into your right, essentially that is the difference.

Q I don't think we will go any further, that will lead us to carry --

MR. ROBISON: That is an assumption that the pocket--

Q MR. MOFFAT: It is assuming there is something in some people's pockets. Well, now, just by way of conclusion I want to ask you a very broad question, I have asked you several pretty broad ones, this is the broadest one of them all. If you assume that an area with the population of two hundred and fifty thousand, two hundred and twenty five thousand, roughly what we have here now, is growing at the rate of fifteen thousand people a year, it is fully occupied within the next couple of years its available land within the existing boundaries so that very quickly there is going to be a sudden growth all around the outside and the suburbs, do you think it is better

Q (Cont.) to establish a pattern and grow that up inside of the existing over-all administration?

A This is --

Q Or do you think it is better to have it developed, three or four competing groups and then have to face the annexation problem in a few years?

A This, of course, is a hypothetical --

Q Yes.

A Where you are expecting population to grow, let us say from two hundred thousand, from two hundred thousand to three hundred thousand or three hundred and fifty thousand?

Q Yes.

A Well, my answer to the question would be that in general it would be better to annex the territory before it is developed. Now, the amount, however, if you ask me does that include a certain industrial area that is --

Q No, I am asking in general terms?

A Yes.

Q Not related to that particular area?

A My answer, I think, would be yes.

Q Thank you.

MR. ROBISON: I wonder if I might, just at this point, ask Doctor Harries and Mr. Brownlee the question, I am thinking about this net population figure as between Edmonton and Strathcona. Is it possible for you to give this, the answer to this, is the population figure used for Strathcona identifiable in the so called industrial area or is it taken from the whole municipality.

MR. MOFFAT: Possibly I am in a better position to answer that actually than they are, I think.

DR. HARRIES: Well, you go ahead.

MR. ROBISON: I think we would like that.

MR. MOFFAT: The best information I have been able to get is a pretty firm estimate of the school population and on a basis of that you will know roughly what proportion of school population as to the total population, Exhibit 112 gives the school population in quite good shape for the industrial area.

MR. ROBISON: Are you sure you understood what I meant, Mr. Moffat, I am referring to the people who are alleged to live in Strathcona and work in Edmonton, offset against the people who work in Strathcona and live in Edmonton. I want to know --

MR. MOFFAT: I am sorry, I thought you meant who live in the industrial area, oh, no, I am sorry.

MR. BROWNLEE: Mr. Commissioner, we have done a survey on that and I think if it would be satisfactory we can look it up during the break and try to give you the answer afterwards.

MR. ROBISON: That is all right.

MR. BLACKSTOCK EXAMINES THE WITNESS:

Q Doctor Brownlee, on page 2 of your brief you enumerated certain things that cause fringe development. Now, this Commission has had evidence , both in Calgary and in Edmonton, that there is another cause which is not listed by you and that is the severe building restrictions in both of those cities which have forced the low

Q (Cont.) income groups to go beyond the city limits, buy cheap land and buy a cheap type of dwelling house. Now, have you that same problem in the States

A Yes, to some extent.

Q And annexation merely means that you will start a new fringe development unless you can strike at the root of the cause?

A The root of the cause being low income.

Q Low income?

A Yes, that I think is correct.

Q Now, has any solution been arrived at in the States that would be of some help to us here?

A Well, of, an attempt, of course, to solve the problem is through low cost, so called low cost housing development. If the people believe that they can pay, say only $50.00 per month rent and it is not possible for them to obtain housing which meets the city standards for $50.00 per month then they move into the country some place, put up a cellar with a television aerial on top of it.

Q And start all over again?

A Yes, start all over again.

Q Have you any national scheme --

A Pardon --

Q -- in the States for subsidizing low cost houses?

A There is a national scheme but the number of units that are planned to be, that the present administration is planning to construct is negligible, something like thirty five thousand per year. The plan initially was for a substantial number, I think something, two hundred

A (Cont.) and fifty thousand to five hundred thousand. This was changed, both by President Eisenhower, the figure was reduced by President Eisenhower and further reduced by the Congress of last year.

Q Thank you Doctor very much.

THE CHAIRMAN: I think Mr. Garside intends to ask some questions.

MR. GARSIDE: I would like to ask a few questions of a different type.

THE CHAIRMAN: Yes, perhaps after we have had the recess Mr. Garside yes, then we shall return at five minutes past three. Mr. Garside, is there anything else?

(At this time the Hearing was adjourned for a short recess.)

MR. BROWNLEE: Now, Mr. Commissioner Robison, I will ask Mr. Harries to correct me if I don't state this properly, but in answer to your specific question: of the 298 people who live in the municipality and work in Edmonton, we estimate that 20 percent of them are in the area which according to the City's map, recently produced, would under the City proposal be brought in to Edmonton.

MR. ROBISON: Thank you, Mr. Brownlee.

THE CHAIRMAN: Now, Mr. Garside?

MR. GARSIDE EXAMINES THE WITNESS:

Q Doctor Brownlee, I take it that you are aware of the fact that in the, that the Province of Alberta has the right, the legal right to create municipal corporations and municipal districts, school districts, and so forth; could you tell me what the position is with regard to the, say, to the State of Minnesota?

A The State has the right to create an incorporated area, that is to grant such an area, or township which I assume corresponds to your municipality; and also the right -- let us see -- I think the entire area is already districted as far as schools are concerned, there is no portion of the area that is not included in some school district. It does not have the right to consolidate districts without the approval of the residents of the district.

Q Who has imposed that particular restriction?

A I think it is a part of either the State constitution or the legislature has.

Q As far as Alberta is concerned, we have, roughly speaking, what we call "urban municipalities", "school district"; now, our urban municipalities are the towns and villages and the cities, and the rural municipalities are our municipal districts, municipal districts; now what is the corresponding set-up in Minnesota?

A The corresponding -- we have first of all cities which are incorporated areas; we have unincorporated towns, where there is not a mayor or a city council, etc.; we have school districts; we have townships, which may, which use, which formerly performed only a highway function, and I think this function even now has been abandoned; and we have counties which provide services to rural areas which are not a portion of an incorporated area or a township.

Q What are the average populations of your counties?

A What is the average population?

Q Yes?

A Well, the State of Minnesota has approximately three million people, it has about seventy counties, so that is about forty thousand to a county.

THE CHAIRMAN: Mr. Garside, may I ask the witness through you or on his own, whereabouts does the township come into this then, is it a subdivision of a county?

A It is a subdivision of a county, yes.

THE CHAIRMAN: Yes.

A And it formerly performed a function, I think this function now is virtually abandoned, the function in

A (Cont.) Minnesota was only a highway function. In New England the township is also a governmental unit, as it has a council just as would a city.

THE CHAIRMAN: But still has a legal entity so far as the laws of the State of Minnesota are concerned?

A Correct, correct.

THE CHAIRMAN: Thank you, Mr. Garside.

Q MR. GARSIDE: Now, you spoke in your brief or you wrote in your brief something to the effect that there was 304 applications for separation or annexation in 1952; were any of those in Minnesota?

A 304, this was 304 annexations probably, the number that I have.

Q I am sorry, in 1952 402 cities annexed territories?

A Yes, the actual number of applications for annexation probably far exceeded this.

Q Yes, well, have you any information as to the conditions with relation to any of those annexations?

A I have with me some information, not in the court room, unfortunately, and I could, depending upon the kind of information --

Q Well, could you tell me?

A Excuse me.

Q Could you tell me whether any of those were disputed, whether there was a dispute as between the territory to be taken in and the city as to the application?

A This would be true in only four States, this could be true in only four States, Missouri, Texas, Virginia or Georgia; if there were a dispute and

A (Cont.) the area to be annexed vetoed the annexation proposal then the area would not be taken in in any of the other 44 states.

Q Yes, but in those states where annexation is permitted, notwithstanding objection on the part of the territory to be taken in, there are, that is quite possible?

A Yes.

Q What states are those?

A A state which has a similar procedure or one that is most similar to Alberta is Virginia where the court hears the evidence on annexation and then proceeds to render a judgment as to whether or not annexation should take place. A state which I think is still more like Alberta is Georgia, where a court hears evidence with respect to annexation, or a commission, presents the evidence together with a recommendation to the legislature and the legislature in turn passes a special Act to take in a territory.

Q Have you any idea as to the principles upon which the court bases its decisions in annexation cases?

A Not, not a stated, insofar as I know not a stated, there are no stated principles. The, certain services have to be rendered to the area to be annexed, insofar as I know, before annexation is considered feasible, and there should not be too much of a burden on the annexing area, namely the parent city, before it is considered; but in

A (Cont.) these cases if there is too much of a burden as far as I know the annexation procedures would never be actually initiated.

Q Do you know of any cases, for instance in Virginia, where decisions were rendered in annexation cases and the annexation allowed against the objection of those persons in the territory annexed?

A I haven't read the cases but I am quite sure in Virginia you would find that such was true, that annexation has taken place in spite of objections raised by certain members of the territory to be annexed.

Q Now, I think you told Mr. Moffat that you had not any precise knowledge of the problems in this area?

A It is very general knowledge, yes.

Q Now, what knowledge have you, for instance, on which you base your opinions; do you know anything about the history of the development here?

A Very, very general knowledge, I know approximately how rapid the population has grown and when other annexations took place or when the boundaries were last moved, and so forth.

Q Have you any information as to the District Planning Commission, for instance, finding this to be a metropolitan area?

A No, only through having seen it labelled as such on a map.

Q Well, I just wanted to bring to your attention that this area in general --

A Yes.

Q -- was declared by what is known as the District Planning Commission, which consisted at one time and at the time it was made a metropolitan area of thirteen surrounding districts, of which, of course, Beverly and Jasper Place and Strathcona were one; and they declared this to be a metropolitan district and desirable to be united for the purposes of planning, joint planning; then, when going through the other, without going through the other plans, then it has been generally stated that from the point of view of supplying sewer and water to the areas in question, that the present capacity of the city plants will go pretty well through the whole of that area without any addition to the present plants, that is my understanding. Further information is before the Commission to the effect that because of certain differences of opinion with regard to planning, two of those thirteen municipalities have withdrawn from the Commission. Now, I understand, Dr. Brownlee, that you are a professor in the University of Minnesota in connection with business administration?

A With economics, yes.

Q And do you in that course deal with municipal administration at all?

A No, I do not.

Q You do not. Another feature that I would like to point out to you, and I hope I am correct in

Q (Cont.) my statements, that one of the difficulties which has caused this Commission to be appointed is the fact that the impact of gas and oil on this region, and the development and growth, has caused certain difficulties to arise, and I would like you to listen to the actual terms of reference that applied to the Commission; it says:

> "Whereas it is deemed expedient and in the public interest that an inquiry be made into the administration and financing of school and municipal services in the City of Edmonton and surrounding areas..."

and then it goes on and appoints the gentleman on the dais to be a Royal Commission and

> "...to conduct said inquiry into the administration and financing of school and municipal services in the City of Edmonton and surrounding areas, and to recommend the boundaries and the form of local government which will most adequately and equitably provide for the orderly development of school and municipal services...."

Now, you will notice by that that so far as the Legislature is concerned or the government, that they have made it into sort of one unit, not only Edmonton, but "Edmonton and the surrounding areas" for the purposes of this inquiry: that evidence before the Board has shown that by the 31st of December, 1957 there will be no more land to be planned for use either industrially or residentially

Q (Cont.) in the City of Edmonton: the population trends published, at least put in here as an exhibit indicate that within a period of probably 20 years at the present rate of progress, the total area which is shown on that plan to be annexed to the City of Edmonton, if it is so annexed, will be filled up in 20 years and would cover a population of three hundred thousand people: now, do you think, Dr. Brownlee, that it is reasonable at this stage to plan for the extension, expansion of a community under those circumstances?

A To plan for what, for what period of time?

Q By planning for territory to be used by the expanding population?

A And you mean by "planning" to try to outline those areas in which you will permit residential growth, those areas in which you will permit industrial growth, where you will lay sewers, how big lots will be, and so forth?

Q Yes, to provide for a situation which will enable the present City of Edmonton to expand in the course of the next twenty years?

A Do I believe it is unreasonable to do this sort of thing? Not to plan for it? No, certainly not, I don't think it is unreasonable, to plan for it.

Q To plan for it, yes?

A Yes.

Q Now, I have told you that the capacity of the sewer and water plant of the City of Edmonton is

Q (Cont.) sufficient to serve the proposed area without any additional capacity; I also inform you that the City of Edmonton is now providing water and sewer services to the Town of Beverly, the Town of Jasper Place, and the Municipal District of Strathcona: do you think that it would not be a duplication of municipal services of that kind to have an entirely new sewer disposal and water plant constructed rather than to use the existing sewer and water plant?

A Oh, of course, it would be uneconomic to construct a new sewer and water plant if the present one is not being used to capacity, but it would be possible, I presume, for you to, under the existing arrangements, whereby this plant is, for you to maintain the existing arrangements whereby this plant is, this capacity is utilized by the sale of these services to the outlying areas.

Q Assuming this particular area that we call a "metropolitan area" to be a desirable enlargement of the City's boundaries to provide for future population, would you say that it is unreasonable that it should be looked after by one council rather than by two or three?

A Well, I am not familiar with exactly with what is now in these present areas, that is how much of it is really inhabited and how much of it is not.

Q Point it out, will you? You heard the request.

MR. MOFFAT: Mr. Garside suggests I might show you where the built-up area is.

A Yes.

MR. MOFFAT: Roughly it is this section on the west of the city and Jasper Place, this piece here in Beverly, and then the industrial plants are up along here. The city proper in the centre is for practical purposes occupied, there are some corners but practically it is fully occupied.

A When you speak of things having been planned, you mean that lots have been laid out, etc., but they are not necessarily occupied, is that correct? Or are these actually inhabited lots by somebody, by some industry, inhabited by some industry or residential property, there are houses on them or factories on them or something?

MR. MOFFAT: Well, the evidence on that point is that by the end of 1957, which is a three years' program, everything will be fully planned and construction will be started approximately.

A That is, virtually every available lot will have either a building on it or one started?

MR. ROBISON: I think you should clarify that point, Mr. Garside, that that is true if the present rate of construction and ingress of people keeps up, that those are the bases, is that not correct?

MR. BROWNLEE: Mr. Chairman, I don't like to interrupt, but I wonder, in view of the question that has been put, whether Mr. Garside may not have inferred that the city is providing sewer service to the municipality, which as I understand it is not the case.

MR. GARSIDE: I am sorry if I gave that impression. The City is providing sewer outlets for Beverly, I believe, and Jasper Place; but the question of a sewage system in Strathcona, I don't think --

MR. BROWNLEE: It is not providing any in Strathcona.

MR. GARSIDE: It is not providing any in Strathcona at the present time but I understand, now I may be corrected if I am wrong, but I understand they will be compelled to use the sewage disposal plant of the City in any sewage arrangements which you may make, am I right there?

A The City of Edmonton now has a sewage disposal plant, is that correct?

Q MR. GARSIDE: Yes, and the City of Edmonton expects to spend about six million dollars in connection with that type of thing this very year.

MR. HARRIES: With the greatest respect, sir, I didn't understand that the City of Edmonton now had a sewage disposal plant.

MR. GARSIDE: Oh, it is not efficient, we have one, it is outgrown, that's all.

MR. BLACKSTOCK: They are building another one, they have one but they are building another one.

MR. HARRIES: Yes.

Q MR. GARSIDE: And the Municipal District of Strathcona at the present time, as I understand it, has no police force, it has no police force, nor has it any fire department, and an agreement is in existence between the City and the Strathcona

Q (Cont.) Municipality with reference to the supply of fire vehicles when necessary: now, coming back again to the question of duplication, and assuming this is an unified area, do you not think it would be a duplication to have a fire department maintained by Strathcona?

A Do I?

Q Yes?

A In this case no, because when we speak of a sewer or a water system where relatively a large unit is required for pumping purposes or disposal purposes to make it economic, then there is some sense in having a relatively large unit served by this; but it is my impression that one fire engine can be administered about as effectively as two or three or two hundred or three hundred, and the same is true of a police unit.

Q Can you tell me, Mr. Harries, the relationship of the area which is known as the industrial area in Strathcona to the total municipality?

MR. HARRIES: Me, sir?

Q Yes -- Dr. Brownlee, I should say.

MR. DAVIES: I think I can answer that, Mr. Garside. There is 359,000 acres in the M.D. of Strathcona according to their brief, and if you divide that out I think you will find that that is about 562 square miles.

MR. GARSIDE: That is the total area, sir?

MR. DAVIES: The area is on page 6 of the Strathcona brief, 359 acres and it is 640 acres to the square

MR. DAVIES: (Cont.) mile and it works out 562 square miles, and it looks like about 20 square miles on the east and south east of the city in that total area, counting it by sections, I was just calculating it a few moments ago.

MR. GARSIDE: 20 square miles?

MR. DAVIES: Roughly.

Q MR. GARSIDE: You have heard those figures, Dr. Brownlee. You would agree that the area that is to be industrialized, that is partly industrialized now, to be taken into the city is a very small portion indeed of Strathcona; it would not alter in any sense the status of the Municipal District of Strathcona as a rural municipality?

A Well, with this I, my impression is that this is not correct, is that, particularly the financial status of the rest of the municipality, that if you were to take away from the municipality this particular portion of the tax base, then you would create in Strathcona the same sort of, or might create in Strathcona the same sort of imbalance of which you were speaking existed in the City of Edmonton.

Q It might be from a financial point of view?

A Yes.

Q But from an actual point of view it is still a rural municipality to a large extent?

A Yes, but if you carved out 20 square miles from a large area, if you carved out 20 square miles from a three hundred and sixty or eighty or whatever

A (Cont.) this was --

Q Five hundred and sixty-two.

A Well, this five hundred and sixty-two square mile area, then it still leaves a substantial rural area for the municipality.

Q Now, I would like to ask you one or two questions of a general nature. This is taken from the, these are taken from a case Re Brantford Annexation (1954) Ontario Weekly Notes, 834, it is a decision of the Ontario Municipal Board which has jurisdiction in Ontario to deal with questions of the annexation of land from one district to another, and this concerns what was called the Brantford Annexation where the Board decided to add to the City of Brantford an area roughly speaking its own size or maybe a little bit larger than that: now, dealing with the general principles which the Board went on, it says this:

> "In cases where a municipality seeks to extend its boundaries and bring under its jurisdiction substantial areas administered by one or more neighboring municipalities it must assume the general burden of proof. It must first establish the fact that the growth and development of the area within its jurisdiction and the area sought to be annexed has reached a point which requires some readjustment of the municipal boundary."

Would you agree with that in principle, just as a general principle?

A Would you repeat the statement, please?

Q Yes.

> "In cases where a municipality seeks to extend its boundaries and bring under its jurisdiction substantial areas administered by one or more neighboring municipalities it must assume the general burden of proof. It must first establish the fact that the growth and development of the area within its jurisdiction and the area sought to be annexed has reached a point which requires some readjustment of the municipal boundary."

Now, that is an expression of the principle which the court establishes, do you agree with that general principle?

A Well, I am not quite sure of what is meant by "...has reached a point where it requires some adjustment of boundaries."; you mean it would be more economic or, perhaps, to have them combine than it would be to have them as separate units?

Q It means whether the growth and development of the city on the one hand and of the adjoining areas on the other has now reached a stage which justifies substantial extension of the city's boundaries?

A That it would be mutually desirable to both areas to have them joined, is that what is meant?

Q No, no, they decide that.

A Well, oh, then the court decides in other words whether this statement is true or false?

Q Yes, that's right, it is a statement of principle; could you tell me whether that principle is used, say, in the Virginia courts?

A I presume that something comparable to it, something analogous to it is used.

Q And then it goes on to say:

> "Another aspect of the same problem is the question whether the inter-municipal relationships of the city, the township and the county have reached a point calling for some change in their respective areas of jurisdiction in order to provide more efficiently and economically the municipal services which are the responsibility of these local governments."

And, of course, in this case it would be the City and the surrounding municipalities; would you agree with that principle?

A Yes, if I have heard the statement correctly, yes.

Q In any of these cases of annexation in the United States, have you any information to indicate whether or not in the relationship between the two areas concerned there, the one to be annexed and the one to do the annexing, whether or not there were a number of agreements such as agreements for one municipality to supply water, sewer, light, telephone?

A Quite frequently, yes, there previously had existed such arrangements.

Q And have you any information as to whether or not in some cases those types of agreement are

Q (Cont.) unsatisfactory in the long run?

A Whether or not these types of agreement are unsatisfactory in the long run?

Q Yes?

A Well, in some instances the agreements were unsatisfactory from the standpoint of the City because it had incorrectly computed or incorrectly estimated the cost of providing the services and subsequently the rates were substantially raised; in other cases the agreements were unsatisfactory because, in other cases the agreements proved unsatisfactory because the City was charging a much higher rate to the outlying areas than to its own residents: but I think for the most part such agreements have been fairly satisfactory.

Q All right.

THE CHAIRMAN: Thank you, Mr. Garside. Now, I should like to ask the Members of the Commission if they have questions, further questions to put to the witness. Mr. Robison?

MR. ROBISON EXAMINES THE WITNESS:

Q Dr. Brownlee, I am reminded of a saying in St. Paul's in Second Timothy about "Ever learning and never able to come to a knowledge of the truth.", and this Commission is still learning. I refer you to page 3, I would like you to amplify, just briefly, if you don't mind what you mean by the first paragraph, first sentence in your third paragraph there, have you that in front of you?

A Point (3):

"In cases where more rapid industrial development....."?

Q That is correct?

A "(3) In cases where more rapid industrial development occurred outside the city limits than within the city limits and where city residents were the main component of the employed labor force in the out-of-city plants, there occurred a reduction in the assessed value per capita of the city's property."

This is the thing that this morning was spoken of as "imbalance", that the industrial area grew up outside the town with a low grade residential area inside the town, the assessed value per capita within the city fell, the city in effect felt it was providing services to industries for which it was not receiving compensation.

Q All right, I just want to clear up a few matters of that kind before I ask you a couple of general questions. On page 7 under point (4) the statement is made:

"Special-purpose districts with directors from the city..."

What are "directors from the city", what does that mean?

A Well, imagine that we have a Metropolitan Area Commission and that the council members from the City of Edmonton sit upon this Commission; they

A (Cont.) would be considered in my language as "directors".

Q Oh, I see.

A But we also have council members from Strathcona and Beverly and from Jasper Place.

Q Oh, I see, I see. On page 8, the first sentence in the second paragraph, well, it is really the first paragraph:

"The most frequently chosen solution..."

etc., and:

"....where the fringe areas are not incorporated has been annexation."

Where the areas are incorporated I gather from this then, the antithesis is the solution has not been annexation?

A Well, that would not be called "annexation", it would be called a "merger" or "consolidation" of the cities.

Q Well, with us, you see, we have towns, villages, unincorporated areas, local improvement districts, that we have to consider in addition.

A Any area that is not another city, having the same kind of charter as Edmonton would be considered in this, in my language as an unincorporated area.

Q All right. Page 10, the second paragraph commencing:

"In most other states...."

and going on to say:

"....or a majority of the voters in the city and a majority of the voters in the area to

Q (Cont.)

"be annexed must vote in favor of annexation." To be specific, would that mean, for example, in this district of Strathcona, "in the area to be annexed", is that particular area that the City seeks to annex, assuming that the onus is on them to prove their case, or would you say that it is the whole municipality; what do you mean by "the area to be annexed"?

A Just the area that the City seeks to bring in.

Q And you would set up some voting system in that particular area?

A And ask these people if they would like to be included as part of the City.

Q Without any reference to the other inhabitants of the municipality?

A Yes.

Q Would you agree, Dr. Brownlee, that the other inhabitants of the municipality might be interested in the severance of part of their municipality?

A Yes, I would.

Q Now, I am looking at page 11, this first paragraph:

"Chosing to annex territory may have made it possible for a city to solve its developmental problem but frequently has made more acute its financial problem."

And then you go on on page 13 under "Norfolk, Virginia", the last sentence in that number (2), reading:

Q (Cont.)

"The cost to the City...."

etc., and that raises in my mind, Dr. Brownlee, this matter of what we call government grants here, you would call them, I suppose, state grants?

A Depending upon who makes it, yes.

Q Well now, do the states make grants to municipalities such as cities?

A The State of New York makes a substantial grant to the City of New York; the states, most states make substantial grants to the counties for so called "welfare" purposes, and most states make substantial grants to the school districts for educational purposes.

Q Do they make any general grants in lieu of general needs?

A Well, the City of New York I think is the case with which I am most familiar, and there the city does receive a substantial amount of money from the State, but this is rather infrequent with respect to other cities.

Q Well, let us assume then that the developmental problem is solvable by annexation but not the financial problem, but there is reason to believe that the state or the provincial government will make grants; would that take care of any objections, having solved both the developmental and financial problem, would you object to the annexation?

A If everyone is in favor of the annexation, then obviously it would be a satisfactory solution.

Q Would you in every case, Dr. Brownlee, have a referendum in the areas affected, in every case of proposed annexation?

A I would like the information, I am not sure that I would abide by the decision.

Q Well, would you like to have a referendum though, would you like to have a formal vote taken as to whether the inhabitants of the particular area in question were in favor or not in favor of this proposed annexation?

A For informational purposes do you mean, or would I abide by the, and permit an area that is in opposition -- ?

Q I gather from the tenor of your evidence that you might feel yourself bound if the vote were negative not to proceed, am I correct?

A Yes, I might, but not always; however, it depends upon whether or not another solution was possible, I think.

Q Well then, the taking of a referendum which would ultimately terminate in the taking of a vote would not in your mind then be absolute as to the final decision made?

A No, I would like it for informational purposes but I would not consider it, its outcome necessarily as binding. If you are asking me what procedure I would like to follow, I would like this information but I would not necessarily consider its outcome as determining what decision I would make.

Q Would you agree that the information might be

Q (Cont.) obtainable in other forms?

A Well --

Q For example, through the municipal councils themselves?

A Yes, I imagine one would get a fair, yes, I imagine one would get a fair estimate of what the opinion was in the municipality from council.

Q Therefore, when we have a municipality as we have in Calgary, and in Edmonton likewise, saying that it wants, through council, to commit it to this urban area, you would consider that sufficient information on which to take some action?

A If all the councillors were in favor of this I would consider then that the population as a whole --

Q No, but just a majority, you wouldn't be guided by a majority?

A Well, my estimate would be less, I would have less confidence in my estimate if it were a close majority, I will put it that way.

Q That is rather a statistical view of democratic procedure, isn't it?

A Well, is there any other view?

Q Well, a majority?

A Well, if one adopts the principle of majority rule, if one has an accurate estimate of what the majority was and has not taken an actual vote, he is using the opinions of the councillors as an estimate, he knows that this is a sample and he wants a sample within fairly substantial

A (Cont.) confidence limits before he will act on the basis of it.

Q I am afraid, Dr. Brownlee, we might get into the position where we are not guided by principles but where we are guided by the whims of people sometimes, wouldn't we?

A Yes.

Q Now, let me see here, I am going to skip some of these, Mr. Chairman, to get on with it. I have got down here "Brownlee asked", I assume that it is "Mr. Brownlee asked", or "Mr. Brownlee asked Dr. Brownlee", with respect to a municipality making grants to another, we are back to that business again, and you replied to me that you knew of no precedent; now, I am going to ask you a direct question, Dr. Brownlee, as an economist -- do you as an economist see in the case that a system of grants were set up between one municipality and another on the basis outlined, do you foresee the possibility of any practical problem, not theoretical but practical problems, in assessing the basis of population, you would have to have an agreement between two parties; how are you going to measure it from a practical viewpoint and reach agreement, that is the thing that is bothering me: now, there is no precedent, we have agreed that there is no precedent we know of no precedent -- do you foresee any practical problem?

A The precedent that we were about to establish is that one municipality should compensate another

A (Cont.) if it imposes costs upon another, and the compensation should be insofar as possible equivalent to the cost, is that correct?

Q That is correct.

A And you are, and the practical problem would be as I see it in estimating what these costs actually were. Yes, I imagine there would be some practical problems in estimating the costs. Again if you wanted to spend enough on estimating the cost you could get it to a point of where there would be, where the area of disagreement was relatively narrow, it would depend partially on how much you would want to spend on the purely estimation problem.

Q Well, the history of government provides plenty of evidence that practical problems do arise as between two levels of government.

A However, I think the problems are somewhat of the nature of assessments problems as we have practical problems in assessment when a business is not satisfied with its assessment and tries to get a readjustment of it, the kind of evidence that we would have for making grants as between units of local government in the same area, on the same level rather, might be of the same general kind.

Q Now, I want in conclusion, you have quoted from Homer Hoyt.

A Yes.

Q I want to read you a quotation from something he wrote, and I am reading from a volume put out by the American Institute of Appraisers in Chicago entitled "Selected Readings in Real Estate Appraisal", page 241, now I am just going to highlight the quotation:

> "Factories now tend to move to outer belt lines on the edge of the cities. There they can acquire cheap land where they can erect one-storey buildings which permit continuity of factory operations without a break at each floor level. There they can also make even better contacts with freight cars and motor trucks which can be routed directly to the factory door. The workers can likewise come in automobiles from wide distances, if they, too, do not also move out to the vicinity of the factory. The outlying factories enjoy the benefit of lower taxes and freedom from municipal restraints and regulations, while enjoying all the benefits of a metropolitan pool of labor and the transportation lines which converge upon the big city."

Would you care to comment on that, particularly the last sentence?

A Well, of course, they don't, they enjoy some of the benefits of a metropolitan area, and these benefits as I see them are that the labor force is likely to be available to the businesses on

A (Cont.) a much more favorable terms if there are services provided by a metropolitan area, many of these services not being provided by the city but being a part of just a general civic atmosphere than would be the case if they were located in a rural area. However, it has also been the experience that following this kind of location of which you speak, the fringe area, car insurance rates are higher, theft insurance rates are higher, water rates in turn may be higher, but the city after thinking it -- pardon -- but the business after thinking about it a second time when the plant depreciates moves back inside the city limits.

Q Yes. I have appreciated your evidence, I do wish we had time to get into the question of economic waste where municipalities develop services together, but we haven't time to get into that.

MR. BROWNLEE: Mr. Commissioner, in that regard I might say that we have already talked to Dr. Brownlee and he is prepared to stay over to Thursday if there are any residual questions.

MR. ROBISON: We can discuss that with the Chairman later. Thank you very much. Thank you very much, Dr. Brownlee.

MR. BROWNLEE: Yes.

THE CHAIRMAN: Mr. Blackstock?

MR. BLACKSTOCK: I have no questions.

MR. DAVIES EXAMINES THE WITNESS:

Q Dr. Brownlee, turning to page 12 of your brief where the question of per capita assessments is

Q (Cont.) discussed, I notice there in that list of about eight proposed annexations that the lowest is $500.00 and the highest per capita is the Oakwood area, $2,254.00 per capita: could you tell me just briefly, would many of these particular areas proposed for annexation have their own separate local government already established?

A Only Oakwood, only Oakwood which is a separate city.

Q And would the balance all be rural areas?

A Well, not necessarily rural, in fact it is noted here some are low grade residential areas, they are part of a school district but they have apparently no other services such as sewage disposal or water supply.

Q Would they have any governing council of any kind?

A In some cases, no; I am not familiar with this particular one, that is the area surrounding Dayton; in some cases "no" and in some cases "yes", there are some unincorporated areas that still have a town council.

Q All right, in the case of Oakwood, the one you are familiar with, with a population of 10,000, that is the one that gave rise to a per capita assessment of $2,254.00 that was the maximum per capita assessment, correct?

A Right.

Q Now, would you know, on page 14, offhand, in view of our time factor here if any of these have their

Q (Cont.) own local governments?

A Yes, they have, they have a form of local government which would be equivalent to a town council.

Q For each of these particular areas?

A I think for each of them, yes.

Q And then turning to page 15 where there are one, two, three, four, five different local areas with populations of 1,230, 700, 15,000, 19,000, 6,000; would it be correct to assume that each of these individual areas had some form of, some local form of government peculiar to that particular population area?

A I would guess that the last three had some local form of government but the first two did not.

Q To come back to this situation now, in the light of what you have said, prior to 1948 the Strathcona Municipal District was what we call, and indeed it still is populationwise, a rural municipal area; do you know what I mean by that?

A Yes.

Q A rural municipality in contradistinction to what we have, village municipalities with their own councils, towns, and then up to the city level; and the assessment for this total municipal area of Strathcona was a little over $7,000,000, and now the assessment of that area, pretty well as a result of the petro-chemical industries establishing east of Edmonton is $40,000,000.00; so from '48 on to '54 it has grown roughly speaking

Q (Cont.) from $7,000,000.00 to $40,000,000.00, and of that total assessment there is approximately $30,000,000.00 of it in this area in here, (indicating map), taking round figures, and there is practically no population in this particular area in terms of the total population today of the municipal area as listed in Exhibit 82E as 7,017: now, taking that as the situation, I am going to assume for the purposes of the questions I ask you that out of this total area of 359,000 acres, that is 562 square miles in the total Municipal District of Strathcona there is 20 sections involved here roughly speaking, and just from driving around the area I would roughly estimate that there is industrial assessment on possibly, in the way of buildings and formal development, on possibly six sections of the twenty, I mean six more or less built up industrially, and those 20 sections represent 2.8 percent of the total area of the rural Municipal District of Strathcona based on about 562 square miles; do you see a difference between the analogies that are made in your brief here and the, on these different areas for annexation purposes, and the proposals that are before us here now where in a very short space of time we have had some $30,000,000.00 worth of assessment added to the books of what is essentially, was entirely practically a rural municipality except for this development; do you see a difference in the analogy between what is laid down here in this brief, do you see a material

Q (Cont.) difference?

A You mean in the kind of package that you are proposing?

Q In the kind of package with which this Commission is dealing?

A In the kind of package that you are proposing for Edmonton?

Q We start first with the kind of package with which this Commission is dealing?

A Yes, and the kind of package, say, that is surrounding Dayton.

Q That you have set up in this brief here in regard to these other areas where annexation was up for consideration and having their own separate local governments for the particular area which was proposed to be annexed?

A Well, with the exception, well, as far as government is concerned there is no particular difference, if I understand correctly that Beverly, Jasper Place and Strathcona are all separate governmental units, is that correct?

Q Well, I am afraid that I haven't made that clear; what I mean is this, supposing that these twenty sections here were a separate municipal unit and were not part of the M.D. of Strathcona, let us suppose that they were a separate municipal unit entirely under our governmental system, whereas now they are still actually certain quarter sections in a total rural municipality with an area of 562 square miles?

A Well, the difference is that a portion or a part of land in these cases is not, a parcel of land in these cases is not being picked out of one local unit and placed into another, that is the primary difference.

Q And that is a fairly substantial difference, isn't it?

A I would say it is, yes.

Q And I want to put this further question to you; for the purpose of my question I am assuming, and it won't make much difference if I am out a bit one way or the other, that there is a thousand people actually live in that area to be annexed, if there is $30,000,000.00 assessment there that is $30,000,000.00 per capita, isn't it; and the highest figures that are anywhere in your brief per capita are $2500.00 roughly speaking, that's right, isn't it?

A Yes.

Q Looking at it from that point of view, Dr. Brownlee, it strikes me that there is quite a bit of difference between what we are dealing with here and what you have dealt with in these analyses in the brief?

A Well, it says, if the City proposing to annex a parcel of land on which there was located a factory from another town, we will say, and this is all they propose to annex, leaving the residential area as a portion of the, leaving the residential area to be with what was a previous

A (Cont.) town, well, assume that in Beverly there was a large factory and the City is in a sense proposing to annex this factory and leave the rest to Beverly --

Q Well, let me put it again this way, that if all this industrial area were taken out of the M.D. of Strathcona, which amounts to 2.8 percent of the total area, looking at the, what the position was before any of this assessment was there, four years ago, it has only taken 2.8 percent of the total area out and it has still left it a rural municipality which was what it was before the picture was started, is that right?

A Yes, but I would like, may I ask you one question, was approximately 2 8/10 percent of assessed value also of Strathcona on this 2 8/10 percent of land?

Q I would not think that that would be true because there is better land here than there is in other portions of the municipality.

A So in effect you would be making the remaining portion of Strathcona worse off than it was prior to the industrial development because --

Q I would say that the answer to that would be "yes" subject to the fact that it is 2.8 percent of the total area, it is only 2.8 percent of the total area.

A No, but if before, say, half the assessment had been on this 2.8 percent of the land, if before the industrial development half of the assessed value

A (Cont.) had rested on this 2.8 percent of the land, then carving this off now, even though this assessment had grown substantially, would leave the municipality of Strathcona considerably worse off than it was before the industrial development itself took place.

Q Well, I think that would be, I think that that is true, assuming that all the balance of the lands were marginal lands or were very, very poor lands, and what you mention is a factor, I would concede that; and I want to go one step further and ask you a moral question: aside from what the laws are or anything else, the brief of the M.D. of Strathcona says that it is 30 miles across at one point and 36 miles across at another point, that will give you some comprehension, Doctor, as to the area this M.D. extends over and how far it reaches out from the City of Edmonton; if this industrialization continues in this area of the M.D. of Strathcona it is quite conceivable that this $30,000,000.00 industrial assessment might become $50,000,000.00 or $60,000,000.00 in another three or four years, or four or five years, but you would acknowledge that if things stay the same, Doctor, that the effect of leaving all this industrial in the M.D., this industrial assessment in the M.D. of Strathcona, is to substantially reduce taxes on farm lands however far out from Edmonton?

A Correct.

Q However far out from Edmonton that this Municipal District goes; and then I want to ask you now this moral question; that is morally do you feel, morally, as a matter of principle, who is more entitled to get the benefit of that assessment, the people who live 10,15, 20 or 30 miles out or the areas in the urban area, general urban area of Edmonton where the bulk of these people are living and where the municipal services have to be provided, now that is just a moral question, that's all, apart from economics?

A Well, moral questions are rather difficult for me to answer, not that I am necessarily immoral.

(Laughter)

A It is a pure, what we commonly call a "value judgment"; I suppose I would answer a bit that the benefit should be spread in some fashion between these people because it is by chance, it is true, that this industrial development happened to be located in Strathcona; but if you ask me --

Q Well, I have asked you a moral question.

A Well, no, now, let me ask myself another moral question and answer it: I discover oil upon my property --

Q Well, I think this is going to get us away from the answer to this question.

(Laughter)

I have asked you a question and I don't want to go into the oil business.

A But it is the same, the moral question I think is the same in any kind of a windfall that occurs

A (Cont.) to an individual as a result of activities that are not his own.

Q Well, let us stick to taxation and let us stick to taxes.

A Yes.

Q And let us stick to assessment and keep away from the oil; it seems to me that this is a straight moral question stripped of all legal technicalities and everything else, that this development has come to this stage now, and if it goes on, and where is it more just that that assessment should belong, to those who are 10,15, 20, 25 or 30 miles out or to the general urban area which is pretty well immediately adjacent to the industrial area that has to supply the schools, municipal services of all different kinds to the people who are working there?

A If it is a "either or question" I should say it should be the urban area, to the urban area if it is a question of one or the other, that if one has it the other cannot, then I would give it to the urban area, as a moral proposition. However, moral propositions are such that they cannot be contradicted.

Q One other question on the question of the importance of taxes in the location of industry. In Canada the corporation tax is 20 percent, the effective rate of taxation in Canada is 20 percent on the first $20,000.00 of corporation profit and it is 50 percent on all corporation profits above that; and, of course, as you are aware, Doctor, taxes are

Q (Cont.) a "deductible" expense; in view of the fact that the effective rate of federal taxation for income tax purposes on corporations is 50 percent, would you agree with me that it is quite probable in Canada that the incidence of local municipal taxes is perhaps not a very great factor in the location of industry?

A Well, the actual tax difference is half the difference in the assessment, is what it amounts to, certainly, and that is true also in the United States where we have almost identical marginal tax rates.

Q Well, it cuts down the actual, the field in which the local municipal tax is perhaps is not quite as big a factor as one might think, doesn't it?

A Well, the corporate tax and the property tax are two different kinds of animals.

Q Well, you know what I am getting at, of course is that supposing I am going to establish an industry and the taxes are going to be $4,000.00 if I locate here and they are going to be $8,000.00 if I locate somewhere else, but since my effective corporate tax rate is 50 percent, and that is going to be charged up as an expense, when I come to measure the differential I am only going to say it is really, the effective rate, it is only going to cost me $2,000.00 more for municipal taxes?

A You are correct.

Q And then I am going to consider such things as cost of gas, electricity, water supply, availability

Q (Cont.) of a labor pool, amenities in adjacent urban centres, and so forth, is that right?

A Yes, but, however, if this differential were, say, $200,000.00, the initial differential, then even after taxes it is still $100,000.00, which may be a substantial figure in deciding where location takes place.

MR. ROBISON: Probably a good point for argument in appealing the tax rate.

A The appeal won't be quite so strong when the marginal tax rate is 50 percent.

MR. HAYES EXAMINES THE WITNESS:

Q Dr. Brownlee, I have in mind here a municipality, we talk about these various services that an urban municipality gives and that a rural municipality gives; but within the last two weeks we have had a new city incorporated in this Province, Camrose. Do you think that there is a change in the status of any of those citizens who have graduated from a "town" to a "city" status?

A Perhaps not within two weeks, but eventually it may have. Are there not certain powers granted to a city that are not available to a municipality?

Q That's right. But the thought that I had in mind there, they were under a Town and Village Act before and now being under a City Charter, and it didn't change the set-up of those people one iota; in other words they were not required to add another policeman or another fire engine

Q (Cont.) or anything of that kind, everything was exactly the same, and their responsibility as an administrative body is exactly the same now as it was then; in other words, you don't get any greater service by virtue of being incorporated as a city, the citizens don't from the administrative body than they previously did when they were a town, do you agree with that?

A Yes, that is correct, as of now.

Q Now, I am going to ask you from the standpoint of the "planning" here, in your opinion, in these cities that you spoke of in the United States, had they previously taken up planning prior to such times as they did, would their position be better than what they found it was in these last few years?

A If they had previously taken up planning?

Q Yes?

A That is before they permitted what they considered to be a helter-kelter kind of industrial and residential development?

Q Yes, that's right?

A In some cases, yes; in other cases the economic factors accounting for the location were so strong that they could not have made another plan work if they had tried it, could not have made something else work if they tried.

Q Now, in these cases it would seem here that there is a lack of making proper provision here for these people of the low income tax group, that is

Q (Cont.) income, their income is low, and they can't make proper provision, apparently they haven't in Edmonton or Calgary; have the new planning techniques, for instance in these various cities you mentioned, have they taken care of that?

A Of the low income housing problem?

Q That's right, what are you going to do with these people that you have to have to do the work?

A There are low income residential housing developments in a number of large cities, Chicago and New York I think have been, have been most active in obtaining federal grants or loans from real estate companies or from insurance companies at very low rates of interest to construct low cost housing units, and these are usually large or relatively large apartment house dwellings. The City has been active, its Planning Commission has been active in the location of these places in areas that were previously slum areas; and it has had two effects, it has provided people with decent houses, some of them, and it has cleared out some of the blighted areas.

Q The City itself makes no provision, it just carries out the negotiations to make it possible?

A That is correct, there is no transfer, in general there is no transfer of funds into this housing pot, if you wish to look at it that way.

Q That's all.

THE CHAIRMAN: Thank you.

MR. DAVIES EXAMINES THE WITNESS:

Q Yes, I was going to ask the Doctor another question. Assuming, Dr. Brownlee, that a number of residences get established and population gets established in the industrial area, say roughly in or about these 20 sections and they remain in the Municipal District of Strathcona, wouldn't you expect that it would only be a matter of time until they would be clamoring for local government and to be formed into a village, which they can under our law, and get away from the rural municipal council altogether?

A This is quite possible, yes, that they would want some other kind of service.

Q And one other question, if we take the total assessment of the M.D. of Strathcona as we understand it now at around $40,000,000.00 and the industrial, the total that is ascribable to the industrial area roughly of $30,000,000.00, that would make it appear that the rural Municipal District of Strathcona has an industrial assessment equal to about 75 percent of its total assessment, assume my figures are right, that would be correct?

A Yes.

Q Doesn't that establish this situation here as being a very extraordinary situation?

A It is an unusual situation, correct.

MR. ROBISON: And may I interrupt at that point. An assessment of about what, 20 percent of the total assessment of the City of Edmonton?

MR. HAYES: Yes, and I can give you another instance,

MR. HAYES: (Cont.) Turner Valley; two thirds of their assessment is personal property.

A I am sure you can find a lot, that you can find a number of areas where this would be true; the industrial area adjacent to Corpus Christi, Texas, for example, is almost exclusively industrial, I think there are a hundred people living there, and the City of Corpus Christi could and perhaps already by now has picked this up, and they are very willing to take along one hundred people; and other cities of Texas have done similar kind of things where it was possible for them to make a grab without any, even any formal hearing: but previous to this you did have and still have a very high, some very high ratios of "industrial" to "residential" assessments.

THE CHAIRMAN: Yes, Mr. Brownlee?

MR. HARRIES: I have just two points that I thought it might be useful to get clarified.

THE CHAIRMAN: Yes.

MR. HARRIES: I would like to ask these questions?

THE CHAIRMAN: Yes, Dr. Harries, and I am going to ask first if we may expect, or may I ask Dr. Mayo, have you any questions to ask?

DR. MAYO: No, thank you.

THE CHAIRMAN: No, well then, I am assuming now that the Commission is finished with its questioning. Then please go ahead.

MR. HARRIES EXAMINES THE WITNESS:

Q Dr. Brownlee, in connection with your discussion in the brief of the financial aspect of the annexation problem, I take it that you are dealing there with not capital costs but essentially current costs which would include amortized capital costs?

A Correct, correct.

Q And that in the event that large capital expenditures were necessary in an area to be annexed, that this might constitute a separate and distinct type of financial problem to the one that you have been discussing?

A It would involve the problem of borrowing money, but it is shown, this would show up in my calculations as a cost of paying off the loan and providing for the interest payments.

Q Yes?

A In fact, this is the thing which in many instances really caused the high cost.

Q Another question -- there was a discussion, I believe with Commissioner Davies, in connection with the effect that the corporate income tax would have upon the actual weight of local real estate taxes on industrial location; I presume it is correct to say that if a corporation is operating at a loss it does not bear 50 percent of the real estate taxes, it bears 100 percent of them?

A That depends on the carry-back and carry-forward

A (Cont.) arrangement; if it has always operated at a loss the answer is "yes", but if sometimes it operates at a loss and sometimes at a profit and there are carry-back and carry-forward arrangements then even in the years of loss it shares.

Q Thank you, sir.

THE CHAIRMAN: Then, Mr. Brownlee, this completes the evidence of Dr. Brownlee and --

MR. BROWNLEE: Yes, Mr. Chairman.

THE CHAIRMAN: Well, may I say to you and the municipality that you represent and to Dr. Brownlee personally the thanks of the Commission for making it possible for us to hear the evidence which he has given us today.

A Thank you.

THE CHAIRMAN: I hope that this has not been too much of an interruption to your work, Dr. Brownlee, and that this excursion into this far north may be interesting and been in some measure, perhaps, profitable.

A I have enjoyed it very much, thank you.

THE CHAIRMAN: We will now adjourn. I should announce, perhaps, that to-morrow morning we begin with the Calgary Power, and when that is completed we shall have the submission of the Town of Fort Saskatchewan, if and when there is time to-morrow.

(At this point the Commission was adjourned until 9:45 a.m., Wednesday, January 12th, 1955.)